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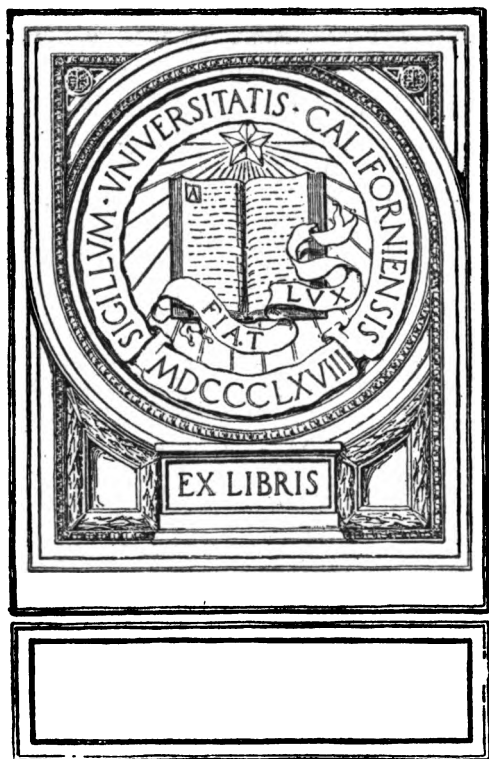
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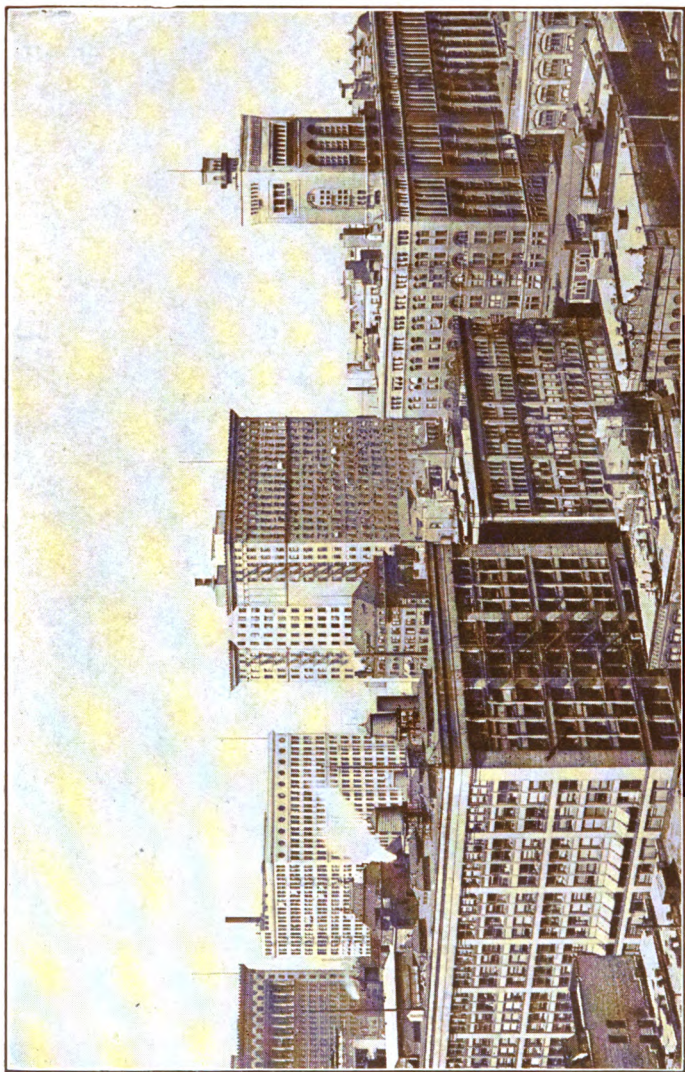


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and the region of the Great Lakes

THE AMERICAN BUSINESS MANUAL

INCLUDING ORGANIZATION, MANUFACTURING, ADVERTISING,
BUYING, SELLING, GRANTING OF CREDIT,
AND AUDITING

VOLUME II T H E P L A N T BUYING · MANUFACTURING · SELLING

WITH INTRODUCTION BY HUGH CHALMERS
PRESIDENT CHALMERS MOTOR COMPANY

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INTRODUCTION

SALESMANSHIP

BY HUGH CHALMERS

WHEN Christopher Columbus, after fourteen years of fruitless effort, stood in the court of Spain and convinced Queen Isabella that she furnish him three ships and men to sail them in an attempt to discover a western route to the East, he had consummated the greatest sale in the history of the world up to that time. He had made Queen Isabella feel as he did about the great idea which he had for sale. The hard problem with him was to get means for making the voyage. Any first-class mariner could sail a ship as well as Columbus could, and there were doubtless many men in the world who could have taken the ships across the ocean as well as Columbus did, but there was no one else who believed in the idea strongly enough to "sell" it to any one of a small list of prospective royal purchasers.

In the latter part of the eighteenth century, a number of gentlemen were busy in the eastern part of what is now the United States trying to sell the people a revolution. They finally got the order signed at Philadelphia on July 4, 1776, and appointed George Washington general manager, to see that the goods were properly delivered. That was a wonderful lot of salesmen, and the sale they made will be historic as long as men live.

In a broad way, therefore, every one is a salesman and every one is practising, or failing to practise, as the case may be, the principles of salesmanship, and these principles are simply the principles of influencing favorably—and not unfairly—the human mind.

It is a salesman's business to change minds, to overcome prejudices, to break down bad customs, soften stubbornness, and let the light of reason into dark places. What is more to be desired than the ability to influence the minds of men and to change them for the mutual good of the buyer and seller? Emerson said: "He is great who can alter my state of mind." He may have been thinking of salesmen when he said it.

And isn't life in general pretty much a matter of making other people feel as you do about something or other? About yourself primarily? How great and prosperous we should all be if only we could bring the world to feel about us as we feel about ourselves!

Salesmanship is a science and it is also an art. There is a certain fund of knowledge relating to the profession of salesmanship and a certain lot of principles by which the salesman consciously or unconsciously works, which amount to a science. By the *art* of salesmanship I mean the actual practise of selling goods—the actual calling on customers, the displaying of samples, the presentation of selling arguments, the taking of orders—the application in business life of the knowledge comprising the science. Between the science of salesmanship and the art of selling there is much the same difference as between studying law in a university and practising it in a court.

A great many men who understand the principles of scientific salesmanship are not successful salesmen. They come short in the application—in the practise. There are a great many people who can see in their minds beautiful pictures, and who understand pretty well the principles on which rests the painter's art, who can never paint good pictures. They lack the skill for the perfect application of abstract principles to concrete work which alone results in true art. For art is *doing* as opposed to *knowing*. It is the acme of man's accomplishment in any line of activity, whether it be selling goods or painting pictures.

I think salesmanship is as scientific as law, and in some respects the work of a salesman closely resembles the

work of a lawyer trying a case. When a case comes to trial we find the lawyer first making a preliminary general statement. He outlines all that he expects to do for his client. He announces that he intends to prove his client innocent on a half dozen counts, any one of which would be sufficient, and he enumerates them in order.

In the second stage of the trial we find him bringing in the evidence to support and prove the general statements made in his opening address. In the closing address we find him recapitulating all of the statements, arguments, and evidence which he has previously introduced into the trial, and closing it all with an appeal as strong and as tactful as he can utter to the emotions of the jury and the judge; an appeal that will bring about a final decision favorable to his client.

Now look at the salesman as he approaches his prospective customer. He makes a statement telling his customer in general terms what he has to offer. He makes certain broad claims for his article. He says it will save the customer both time and money, that it will do the work of two men, that it is the best thing of its kind made, and that the price is amazingly low considering the value. Then he goes on to submit evidence proving his statement, and finally he sums it all up, going over each of his arguments, pointing out again quickly and eloquently the advantages of his article, and trying with a final skilful appeal to bring about a decision in the mind of his customer. Thus we have the three steps in any sale—the approach, the demonstration, and the closing argument.

But salesmanship is something more than a science or an art—it is a principle—a principle of human relationship. It is the principle of the influence of one person on another. It is a fundamental principle, and it is universal in its working.

If I were asked to define salesmanship, I should say that: "It is simply making the other fellow feel as you do about what you have to sell." That is about all there is to it. You go into a man's office with something to sell. You feel that this man ought to possess, through

purchase from you, this thing that you have to sell. But the man you have called to see, who sits with an air of cool defiance behind the breastworks of his desk, is in a directly opposite state of mind. He feels that he ought not to possess, through purchase from you, the thing you have to sell. Now the only possible way you can make the sale is to make that man's mind come around into agreement with your mind. It is not even a case where you can meet your opponent half way; you can not make even a small compromise and still make a sale. You have got to sell him completely or you don't sell him at all; you must pull him full 180 degrees around the circle. When you have made him feel, just as sincerely as you yourself feel, that he should buy what you have to sell, then he will buy.

Show me a star salesman—a man who is a business builder as well as a business getter—and I will show you a man of strong character and attractive personality. The foregoing sentence contains the suggestion of what the training for salesmanship should be. It sounds the success keynote. What should be the salesman's equipment? We are sales managers now selecting men. What are we going to require of those we choose? Have my way and there would be ten requisites which I should use as a standard for measuring our candidates for this calling.

The first of these requisites is Health. A salesman must be in good physical condition all the time. Just like a race-horse, he must be ready to go when the bell rings. There was a time not many years ago when most salesmen injured their health with too much drinking and smoking and eating. But there is not so much of this nowadays; good salesmen have come to do most of their work in the salesroom instead of in the barroom. The temptations for a salesman to drink too much, smoke too much, and eat too much are many, and it is only by constant vigilance that he can resist such temptations. His health depends on his power to resist, and in the long run his success depends upon his health. Good health influences others in your favor. It is a prime factor in bringing

your prospect's mind around into agreement with your mind.

The second requisite is Honesty. A man in business is nothing short of a fool who is anything but honest. A salesman who is not strictly honest has no chance at all in the long run. Modern business has made honesty popular. After all, there is nobody in the whole world who knows a man is honest but the man himself. Your wife thinks you are honest, and it is a mighty good thing to keep her thinking that way, but she couldn't prove it to save her soul. The only response to the question, "Am I an honest man?" comes from deep in the man's own heart, and he only knows whether the answer is what it should be. It is fortunate for some of us that some men insist on handicapping themselves with dishonesty, because if they were honest, coupled with their natural ability, some of us would not have a chance.

In order for a man to be a successful salesman he must have a strong mental equipment. He must have a keen mind, and, for the want of a better word to express this requisite, let us call it Ability. When you stop to think of it, men do not differ very much in their general make-up. As a rule, most men have two legs, two arms, two ears, a nose, a pair of eyes, and a mouth, and, considering the height, men weigh about the same. The difference is in their brains. Ability can be developed in a salesman. It can be developed by what he reads, by study, by the company he keeps. I have always said that a man's compensation should be made up of two parts until he gets to be fifty years of age. He should say to himself, first, when considering any employment, "What can I earn?" and, second, he should put the letter L in front of "earn" and ask: "What can I learn?"

After Ability should be Initiative. That is the quality which leads a man to do things without being told. After a surgeon has you on the operating table and has made an incision, he can't say: "I must go look in a book and see if I am proceeding right on this fellow." No; after he cuts in, he has got to finish, whether it's your finish or his finish. Perhaps he finds conditions which he did not

imagine. Then he must act quickly; that is initiative. Every day of a salesman's life he is confronted by all sorts of unexpected conditions when he must act, if at all, upon his own initiative.

Of course knowledge of the business is an essential for a salesman. The lawyer who reads the most law books and studies most is, as a rule, the best lawyer. The insurance salesman who can tell you offhand what insurance you ought to have and what it will cost you per thousand at your age, etc., always makes a favorable impression. You have confidence in him because you realize that he knows his own business. This is equally true in any line of business.

Tact is another requisite. Tact is the ability to tell a man the truth about himself without giving him offense. Tact never jumps out of a window until it sees a pillow to alight on below. It is the ability to get along comfortably with many different sorts of people, and it is pretty hard to describe it any further than this. Some men have it or acquire it, and some others do not have it, or cannot get it, and the latter class will never make successful salesmen.

Thoughts are intangible and yet they are very real, and they produce tangible results. Selling is just like throwing thoughts. You throw thoughts from your mind into the prospect's mind, trying to bring him around to your point of view. Now, you cannot any more throw insincere thoughts at a man and have him catch sincere thoughts than you can throw an apple and have him catch a baseball. He is going to catch just what you throw if he catches anything at all. Hence Sincerity is a prime requisite for a successful salesman. Sincerity not only makes friends—it holds them.

A man might have all the fine qualities in the world and still, if he were indolent, he would not be successful. Salesmen must have energy and industry. The man who coined the expression "Always on the job" did a good day's work the day he coined it.

The best salesmen are those who are always trying to become better salesmen. They are the men who are

trying to learn and to improve. They are the men with the open minds. Open-mindedness is the willingness to accept suggestions. The man who knows it all is standing on the banana peel placed by the fool killer who is waiting for him with a club just around the corner.

The last of the requisites is Enthusiasm. A man might have honesty, health, ability, initiative, knowledge of the business, tact, sincerity, industry, and open-mindedness, yet without enthusiasm he would not be a success. Enthusiasm is the white heat that fuses all of these other qualities into one effective mass. A little illustration: take a piece of blue glass and a sapphire. You can polish that glass until it has a surface as smooth and hard as the sapphire's. But when you look down into them you see thousands of little lights shining up at you out of the sapphire, that you can't see in the blue glass—and you never can get out of the blue glass those little tongues of flame which just seem to leap out as you look at the sapphire. What these little lights are in the sapphire, enthusiasm is in the man. Some men are almost irresistible; it is because enthusiasm radiates from their features, beams from their eyes, and is present in their actions. A man might be made to order with the proper proportions of all these other nine things I have mentioned, and yet, if he lacked enthusiasm, he would only be a statue.

When I was working as a salesman myself, I was always trying to analyze successful men for the purpose of finding out the reasons for their success. I found that without exception successful salesmen had all of these qualities in proper proportions. Later, when I became sales manager and had to employ, train, and supervise men, I had these ten requisites on a blackboard in my office, and I used them for measuring men, for discovering their weak spots, and always have found them very helpful.

There is a peculiar thing about these ten requisites. Only one of them has to do with a man's business, and nine of them deal with the man himself, which simply goes to show that success in salesmanship, as in nearly all other branches of human endeavor, is a matter prin-

cipally of personality, of the development of the individual. Men are greater than their work and their words always.

It is easy to employ men and easy to drill into their minds a certain amount of knowledge about a particular line of business, but it is not easy to develop in them the other qualities—the qualities of their own character and personality, which are the real essentials of success.

You can take two men equal in appearance, and you can teach them both exactly the same things about the business or a line of goods. Then you can send them into equally good territories. One of them will make a record, the other will make a failure. Knowledge of the business is the least important of the ten requisites. I have proved it to my own satisfaction hundreds of times that salesmanship is nine-tenths man and one-tenth territory, or nine-tenths man and one-tenth business, however you wish to put it.

When I was selling goods and a man would not buy what I had to sell, I always put forth a determined effort to get at the *real reason*. Excuses are not reasons. Men will find all kinds of excuses for not purchasing, and it is often difficult to know the reason. You can never make a sale under these conditions until you get at the real objection in the mind of the customer. You can not answer the objection and get it out of the way until you find out just what it is. One time I was making a demonstration to a merchant and he had listened carefully to everything I had said. He had admitted the value of what I had to sell, but still I couldn't get his order. I talked with him for a long time and tried to convince him, but in vain. Finally it was getting quite late, and I arose to go. I said to him: "Now, Mr. Smith, I am not going to bother you any more to-day, and now that I am going away I want to ask you, as a personal favor to me, to tell me the *real reason* why you haven't signed an order. You said it was because you thought the price too high, but I know that this is not the *real reason*. Price is no object to you when you realize the value of the article. You sign checks every

day for much larger amounts than my machine calls for and you never think anything of it. Now won't you, just as a favor to me, now that I am going away, give me the real reason why you haven't bought?"

"Well, I'll tell you," he said. "The real reason is that I have a helper here named Henry, who has been with me for fourteen years, and I am afraid he wouldn't like it if I bought this thing, and I can not afford to lose him, so I just don't want to get it on that account, and this is the real reason."

"Where is Henry?" I asked.

"He is back in the warehouse."

"Would you mind if I just stepped back and talked to him a couple of moments?"

"No, certainly not."

I went back and saw Henry. I explained to him who I was, and told him that I had a machine up at my sample-room in the hotel that I was very anxious for him to see, and that I would appreciate it very much if he would come around after supper that night and let me show it to him. Henry agreed to come, and when he was ready to leave me that night I had his full endorsement of my proposition. Next morning it was only a matter of form getting the old gentleman's name on the order. In this instance salesmanship was nothing more or less than finding out the real reason for the customer's refusal to buy. If I hadn't discovered his real reason, I might have thrown selling arguments at him for a week without satisfactory results.

Sometimes by a little bit of daring a salesman can make a short cut and get an order signed which otherwise he could not get. I was once sent to sell a high-priced article to a big business man who was known as a typical "hard customer." I got along with him pretty well for some time, and had, in fact, finished my main selling talk when he suddenly got nervous and cut me off with, "Well, your proposition is all right, but it costs too much money," and he got up as though to end the interview.

I looked at him squarely and said: "Mr. Jones, that is

an objection we often hear. You are well enough acquainted with the selling methods of my company to know that its salesmen have been supplied with more than fifty different answers to that one objection, and you have heard me long enough to know that I am acquainted with every one of these answers, and that I can use them all. These answers contain arguments so forceful that they will convince you or any other man, and I know if I use these arguments here I can get your order. I know I can do this because I never have failed to do so under similar circumstances, but it will take me two hours to make these arguments. It is just a question of whether you sign this order now or two hours from now. Your time is worth a good deal of money. Here is an order blank."

He signed it.

Another rule which I always found to be a good one was "never leave business to look for business." When we are in the woods and want to rest we find what looks like a nice spot, but we are no sooner seated than another place a little way off looks greener and more inviting. We go over there, but only to find that it is no different from the place we left. The same thing is true, generally speaking, in business. Business where you are is as good as business where you are going.

A salesman needs some kind of a schedule to help keep himself hard at work. There is a tendency in every man that sometimes tempts him to slow down. When I was on the road, I had slips printed showing the days of the month from the 1st to the 31st. I estimated my expenses for the month, and made up my mind that I must make my expenses by the 12th of the month. Every dollar up to the 12th of the month went for expenses. Every dollar after the 12th of the month was profit. Thus, you see, I was always working against my schedule—against myself. There is nothing like competition and the spirit of a contest to bring out the best a man has in him. Before the 12th of the month it kept me going to make expenses, and after the 12th, you may be sure, I worked to the limit to build up profits, because that money was go-

ing into the bank as capital. When I got to the 31st of the month I held on to a prospective buyer like grim death, because I knew if I made a sale on that day I could write the commissions in my profit column, whereas if I let it go until the next day the commissions had to go against expenses on the next month.

Salesmen need systematic training. Of course the day is past when men are employed in the morning, given their samples in the afternoon, and sent out at night into their territory. But even so, in many quarters there is a wilful want of the proper kind of training for salespeople. The greatest need of most retail establishments, especially to-day, is a training school for salespersons; I do not mean an elaborate school of any kind. Any gathering of ten, twenty, or fifty persons where any kind of instruction is carried on is a school. No business with which I am connected in an executive capacity shall ever be conducted without the proper training of employees.

I think a man should always carry his samples right with him and have them all ready for display. Some salesmen I have known go into a town and leave their samples at the station because it is a good deal of trouble to get them unpacked and properly displayed. With their samples at the station they go around making calls ostensibly for the purpose of trying to get some merchant to say he would like to see the samples. Under these conditions, of course, the salesman is working half-heartedly. All the time he is talking to a man trying to interest him in the samples, in his heart he is hoping the prospect won't say yes, because that would mean so much extra work for him. Many salesmen find it especially hard in very hot weather to get their samples unpacked the first thing after they get into a town. A salesman should make it an absolute rule to set his samples up properly the very first thing. Then, if the weather is hot, he will certainly see to it that somebody looks at those samples after all the hard work and trouble he has been to getting them unpacked.

You have been in stores where the salespeople acted as if they were doing you a favor to sell you anything,

and you have been in other stores where they were so nice to you that you felt you simply couldn't go without buying something. That marks the difference between failure and success in retailing. What a fine thing it would be for the merchant and for the public if salespeople were taught nothing more than to always be courteous.

As an employer of salesmen, I have found that the traveling expenses of a poor man are just as heavy as those of a good man. Hotels charge as much per day for the poor man as for the good; railroad fare is the same; Uncle Sam and the express company charge as much for postage and expressage. Since the expenses are the same for weak and strong salesmen, what are a few extra dollars in compensation or in training to make the difference between a good man and one of inferior ability?

In managing salesmen I always made it a rule never to send a man out until he had sold to two people. First, he had to sell to me; second, he had to sell to himself.

In employing a man on commission where he had to advance expense money, I would always say to him: "How much money do you want to borrow?" The usual reply was: "I don't want to borrow any money." And I always said: "Oh, yes, you do; you are going into business for yourself. You want me to advance money for your expenses. I am charging this to your account. How much do you want to borrow?" This makes a man feel his responsibility.

Salesmen need encouragement. They receive so many rebuffs in their daily work that it is nothing short of cruelty for them to receive anything but good treatment at the hands of their house, and especially of their sales manager. To sales managers I would say above everything else, don't write sharp letters. Warm words dictated are only cold type when the salesman receives them. The man who gets the letter was not at your elbow to hear the enunciation of your words when you said them. Many a man has been knocked out and rendered useless for several days because of a hasty letter. Any salesman

knows that there are days when he feels that he could lift his hotel from its foundations and other days when he doesn't care if it falls on him. The sales manager who writes the kind of letters, or whose general attitude toward his man is such as to increase rather than lessen the number of days when the salesman doesn't care if the hotel falls on him, is not a success. His volume of sales will fall off just as sure as frost will come in the autumn. Men should be criticized, their mistakes should be pointed out, but you must not take away their enthusiasm. Put a damper on the optimistic spirit of a salesman and you have done your business a harm which it will take the best salesman you have days to overcome. If you are an executive, remember that your men are human. Remember that what we may call—for want of a better term—the *heart influence* is the most potent factor in winning sales, and that honest praise is the great inspiring force that leads your men on to victorious assault of the strongholds of business.

The art of salesmanship is sanctified by difficulties. It is difficulty that makes all art sacred. Anybody can do the easy things; it takes good men to accomplish the difficult. Proficiency in the art of salesmanship is as admirable as proficiency in law, or medicine, or engineering. Some day, if it does not now, the world at large will recognize the fact. Even now it practically admits it, because it pays its good salesmen just as well as it pays its good men in other professions. The world pays for services rendered, and its sense of value is not warped by any twaddle about "the learned professions."

There is no work in the world better for the man who is doing it than salesmanship, because it calls for the application of knowledge to specific cases. We evolve through contact. It is the polished surfaces that make the diamond marketable.

A salesman is one who takes things from where they are to where they ought to be. Helping to distribute things is the salesman's greatest service. Distribution has come to be the world's greatest problem. In the solution of this problem the salesman, backed by advertis-

ing, is the most perfect factor. In a primitive state of society we find each family going it alone to a very large extent. Each little group is sufficient unto itself, making all that it needs to supply its wants. There production is the greatest problem. But now the problems of production have been largely solved; it is easier to make than to sell, easier to supply the demand than to create a want. Glance over the classified wants of a newspaper day after day. You will find them crowded with advertisements for men who can sell goods. Men are wanted to distribute the things that the fields and factories are pouring out.

Have you ever stopped to think how much good salesmen do in individual cases? A salesman is a man with the courage of his convictions; he is one who will not take "No" for an answer. How many men are there who owe their success to some salesman's refusal to take "No" for an answer?

Across the street is a prosperous-looking store that was on the verge of bankruptcy a couple of years ago. That store literally was going to seed when a salesman came along and sold the prospect a machine that automatically takes care of all his cash and credit transactions, and puts his whole business on a clean-cut system. The man said he didn't want the machine, but the salesman would not be put off. Once I had occasion to collect some first-hand statistics, and I found that one-third of the total number of storekeepers in the State of Ohio did not use cash registers. I found also that three-fourths of all the failures in the State in one year occurred among the one-third mentioned. And yet cash registers almost always have been sold—they are seldom bought.

Over there is a young man who is making good. A year ago he was in a rut that led nowhere in particular. He was tired, discouraged—his chance for success looked slim. Why his present happiness? A salesman found him and sold him a course of correspondence instruction. Study enlivened his dormant faculties, showed him his possibilities, and now he will surely win. He told the salesman he didn't want the course, that he wouldn't take

it, couldn't afford it, didn't have time to study, and made a dozen other objections. But the salesman didn't believe him—he substituted right beliefs for false ones.

Whatever you really need you pay for, whether you ever buy or not. The man who needs an adding machine pays for it many times over by the time and mistakes it would save. The merchant who needs advertising pays for it many times over in the trade that passes by his door; the salesman who doesn't believe in advertising pays for his wrong opinion in the "almost sales" that advertising would have helped him close; the family of the man who didn't believe in life insurance pays the premiums in suffering after he is gone.

And this brings us to where we can see that in every good sale the salesman renders a service to the buyer which is not compensated for by the price of the article sold. Does the price of the life insurance represent the value received by the family of the insured? Does the cost of a good book in any way measure the value of the book to the buyer who intelligently studies it? Suppose all clothing houses and tailors would refuse to sell you an overcoat next winter, would you save the price? Even if you put the money in the bank? No, you would pay the price many times over in discomfort and ill health.

It is a realization of this service which is not covered in the purchase price that must ever afford to salesmen a great pleasure in their work. There is many a man sitting back to-day complacent over his success, and entirely satisfied that he did it all himself, who owes that same success entirely to the fact that a good salesman couldn't hear him one time when he said "No" and stayed and made him say "Yes."

To be a good salesman is to be something very much worth while, for salesmen serve. And those who serve most, prosper most—they win, even when they seem to lose.

I

PLANT

Rise of Manufacturing in America—Effect of Increased Demand—Introduction of Modern Machinery—A Pioneer Manufacturer—Specialization—Three Essential Points—Location of the Plant—Features of the Modern Plant—Transportation Facilities—Executive Head of a Plant—Departments—Following the Work—Grades of Employees—The One-building Plant—Plant Efficiency—Safety First—Suitable Clothing—Proper Lighting—Ventilation—Oiling and Cleaning—Safeguards—Stopping the Machinery—First Aid and Emergency Rooms—Sanitary Conditions—Fire Prevention and Protection.

I PLANT

THE extent to which manufacturing has been developed in the United States during the last century is nothing short of phenomenal. Previous to that time, agricultural pursuits comprised the sphere of activity demanding the greatest amount of attention. Among the products of home industry were a few articles of food, clothing and domestic utensils, but the few conveniences for manufacturing rendered all such articles excessively crude in construction as well as limited in variety. Before the American Revolution English laws stipulated that manufactured articles required by the colonists should be purchased largely from the mother country. Permission was granted to buy in other markets as well, but the excessive duty or tax laid upon foreign manufactures was such as to render their price almost prohibitive. These and similar grievances had an important bearing in deciding the American colonies to declare their independence, and from that time, simultaneously with the removal of trade and manufacturing restrictions, a new impetus was given to American manufacturing, which has continually expanded until at present the capital invested in American manufactories and the volume of their output exceeds that of any other country.

Rise of Manufacturing in America.—Manufacturing in America originated on a small scale, and was confined to the production of articles for household use. A person possessed of a greater degree of skill than his neighbors, in the working of wood, metal, or other material, would perhaps set aside a room or attic in his dwelling house. With this as a workshop, a few hand tools and perhaps

a small turning lathe operated by a treadle, he would manufacture articles of a certain description to supply the wants of the immediate neighborhood.

Effect of Increased Demand.—As the demand increased, provision had to be made for satisfying the same—assistants had to be hired. Frequently two or more persons would enter into partnership and combine their forces, making necessary the erection of more commodious quarters.

If money was needed for improvements in a greater amount than was possessed by the manufacturers, recourse was had to outside sources. In this way a combination of skill and capital was effected—the two essential requirements for the successful conduct of any form of business venture. The mechanic of earlier times was severely handicapped in his work by the scarcity of tools at his command. These were, as has already been stated, almost entirely of the hand variety, and production in many cases was limited to such articles as might be manufactured through the agency of the spinning-wheel and hand-loom.

Introduction of Modern Machinery.—The introduction of machinery and machine tools caused this class of industry to grow by leaps and bounds. Production was increased proportionately, resulting in benefit both to the employer and the workmen, while at the same time the workmen's duties were rendered considerably less onerous by virtue of the marked reduction in manual labor accompanying their use.

About the beginning of the nineteenth century another innovation of the utmost importance was introduced, viz.: the standardization of machinery parts. Some few constructions had been created previously, but no effort had been directed toward making similar parts of exactly equal dimensions. The various elements were fitted to each other with a greater or less degree of accuracy, but such a thing as a system of gages or standard sizes was unknown.

The milling machine, through the agency of which it becomes possible to fashion any number of surfaces according to some preconceived design, and with a degree of similarity and exactitude impossible of attainment by hand, was one of the first mechanical appliances to contribute toward standardization, and therefore toward the increase of factories.

A Pioneer Manufacturer.—A pioneer in the field of mechanical invention was Eli Whitney, of Connecticut. One of his chief claims to fame is based upon his invention of the cotton-gin. Whitney made one of his boldest ventures into the realm of manufacturing when he undertook to supply the United States Government with ten thousand muskets. The time granted for the fulfilment of the contract was such that his facilities were inadequate to the demand. He secured a water-power site and proceeded to erect a factory of greater dimensions. A great deal of special machinery had to be designed and constructed, and men trained in its operation. As the work progressed, the fame of the New England factory extended far and wide, and many notable persons both from this country and abroad visited it to view the new machinery and the application of the methods that he had installed.

Owing to some unforeseen difficulties, Whitney was unable to deliver to the Government the required number of muskets, at the specified time; but in view of the superior quality of the product, and possibly other considerations as well, an extension of time was granted him in which to complete his contract.

Whitney's factory marked the beginning of a golden era in the history of manufacturing in the United States, an era rich in achievement which has extended to the present day. Each year has been marked by the introduction of some new article, or by improvements effected in the method of manufacturing the old, and he would be a bold prophet who would venture to prescribe a limit to the flights of invention or constructive genius in the years to come.

Specialization.—Another important development, side by side with standardization of equipment, may be called specialization. This relates to the workman himself rather than his tools, and signifies a system wherein the time of each workman is devoted exclusively to the performance of one particular operation.

It necessarily follows that from constant repetition the workmen will acquire a remarkable degree of proficiency, which enables them to accomplish more and better work than if they were constantly being changed from one thing to another. In a shop equipped with a full complement of tools, measuring devices, etc., work passes along, step by step, without delay. Each workman, as the article or part reaches him, subjects it to a certain treatment or process, and passes it along to the next. If parts are to be shaped to conform to some given standard, his gages and other measuring devices may be set to the proper size, but even if individual measurements are required, the liability of inaccuracies is thus greatly reduced.

Three Essential Points.—The modern manufacturer of any article or commodity must keep three essential points constantly in mind:

1. Improvement in quality of goods.
2. Increased volume of goods.
3. Decreased cost of production.

Standardization of machinery and specialization of workmen have greatly furthered these ends, and there is a trend toward efficiency by the careful study of every process and the elimination of all unnecessary movements. But there are other features quite as important, among them the question of the plant itself.

Location of the Plant.—Nowadays the progressive manufacturer exercises every care in choosing a site. This has already been discussed under *Organizing a Business*, but will bear further emphasis. In the proper location and construction of the various buildings required many features must be taken into consideration. Probably the first question to draw the attention of the owner or

builder would be that of the cost. Many locations, admirable from other standpoints, are wholly out of the question when the cost to purchase or rent is considered.

Fortunately, however, for the manufacturing interests, land suitable for factory sites can be obtained in suburbs or suburban towns practically as suitable for the purpose and at a great deal less than metropolitan values. In many instances, municipalities have offered houses and privileges to large concerns to induce the location of a factory in their town, considering that the benefit of the increased population and the consequent trade it would attract, and the prestige which would accrue to them, would be sufficient return for any bonds or privilege granted. It is very seldom nowadays that large manufacturing plants are centrally located in a large city. They are rather to be found in the suburbs of small towns, which in some cases have grown up around the factory, and are populated by its employees. Several instances might also be cited where towns have taken the name of a prominent concern or one of its officials.

The welfare of the employees also has a direct bearing upon the question of location. All manufacturers, however, are not influenced to the same extent by this consideration. In the cities, particularly, too little thought is given to the sanitary conditions under which scores and perhaps hundreds of men or women exist and labor for a considerable portion of each day. Where rents are high, all available space must be used to advantage. Dark rooms, attics, cellars, everything is pressed into service. The periodical visit of the health official is known and prepared for in advance, but matters frequently take their usual course as soon as inspection is completed. The majority of the employees cannot afford to be overparticular about the character of the place in which they work. Knowing the risk they run of losing their positions through complaints, they suffer in silence. Others again are ignorant of the consequences of living among impure surroundings, and were it not for the health boards, sanitary commissions, etc., would probably

live and die in their ignorance. Many large concerns of the present day, however, will not locate in, or even near, a large city, provided a site can be secured with adequate means of communication, either by rail or water, with the outside world. On the other hand, a great city offers the advantage of an abundant supply of labor.

Features of the Modern Plant.—To the credit of modern builders, be it said—credit which is due also in no small degree to modern legislators who have created laws and provided for their enforcement against unscrupulous owners—the up-to-date factory is a marvel of construction, in so far as provision is made for the safety, health, and comfort of the employees. Modern practise in factory building adheres to the plan of making the majority of the buildings not over one story in height, although the office building may be two or three stories high, and the upper floors used as quarters for the engineering or drafting departments. In the buildings erected for the actual work of manufacturing, more than one floor is seldom employed. Quite frequently skylights are made in the roof, which admit light to all parts of the building. Additional floor space is sometimes obtained by increasing the height of the walls, permitting of the construction of galleries, which do not obstruct the entrance of light into the body of the room. Wherever artificial light must be used expert advice is secured as to the most effective devices. The plant is not housed in one building unless it is comparatively small, but even here special quarters are assigned to dangerous or disagreeable operations.

While the general architecture of a factory building is governed to a great extent by the character of the business, a feature frequently noticed in any modern factory is the size and number of the windows. This is seen particularly in many large electric light and power stations in larger cities. Due to the cost of land, and other considerations, these buildings are usually composed of a number of floors, complete or partial. Windows extend the full height of the building, and are made of a

series of units resting on pivots, which open and close after the fashion of a Venetian blind. These when open afford the maximum degree of ventilation, and permit the free escape of heated air, gases, etc.

A different style of building construction is required by firms engaged in the manufacture of dangerously combustible or explosive materials. Buildings greater in number, but smaller in size, are the rule where there is special danger of fire or accidental explosion. Thus a smaller area will be directly affected, and the damage to property and loss of life will probably be lessened. Such a plan of construction, however, is of special application, and in the great majority of manufacturing plants where no special menace to safety is encountered fewer buildings, each covering a greater area, are more commonly employed.

Transportation Facilities.—Too much stress can not be laid on the desirability of placing a factory where raw materials may be received and the products placed in the hands of the consumer with the least expense for carriage and handling. Remoteness from a means of transportation has frequently been a serious hindrance to overcome, particularly when the nature of the business was such that its location could not be changed. This is particularly applicable in the case of mineral deposits, which may be comparatively rich, but are so inaccessible that the cost of transportation for machinery or ore renders their operation impracticable.

Industrial ventures are not always free from similar hindrance to successful operation. In one instance where a railroad ran by the side of a stream in a deep ravine, a mill upon the opposite side was operated at a loss, or with a very small margin of profit, on account of the expensive roundabout haul necessary to effect a connection with the railroad. The expense of building a bridge to span the ravine was too great to permit this solution of the problem. The difficulty was finally overcome, and a loss turned into a substantial profit, by stretching heavy aerial cables from the mill to a point close to the railway

tracks, which were successfully utilized for the transportation of goods.

The ideal location, from the standpoint of transportation facilities, would be one having a dock frontage, and also connected with either the main line or a branch line of a railroad. The ability to run freight cars into the plant is practically an absolute necessity where very heavy articles are manufactured. Usually, in such cases, a spur of the track traverses the length of the erecting shop, and is so situated that the cars may be loaded through the agency of the traveling crane. Tracks are also laid connecting the various departments, so that heavy articles may be moved from one shop to another with the minimum of labor. Cars used only in the plant are made small and light so as to be propelled by small motors, or by the workmen themselves.

Executive Head of a Plant.—In the executive office of a manufacturing plant, as well as in its practical work, changes have been made in order to satisfy the modern demand for accuracy and rapidity. Formerly an official carrying the title of superintendent bought all the supplies and raw materials, inspected them and distributed them to the foremen. In addition to these duties, it devolved upon him to exercise a general supervision over the work. Countless other duties would also arise to take up his time, with the consequence that any oversight he was able to give to the work was of the most cursory kind.

The drawbacks of such a system became apparent in time, and in the majority of factories the duties of the superintendent are now limited to those to which the name would apply. The buying is given into the hands of the purchasing agent, and an inspector is employed to examine the purchases. Receiving clerks, storeroom clerks, etc., are appointed and held responsible for the receipt of goods, and the proper care of goods in stock. The selling end of the business is given into the hands of a sales department; the financial standing of prospective customers is investigated by a credit and collec-

tion department; a production engineer determines the amount of work to be performed, and the sequence to be observed in filling orders, and an assistant superintendent is detailed to oversee minor features about the plant. By this systematization of duties, the superintendent is relieved of the routine details that formerly had occupied his time, leaving him free to exercise a more thorough supervision over the plant, and direct the heads of departments in their work.

Departments.—The departments of a manufacturing plant vary with its size and kind of product. For example, in a large factory manufacturing machinery they may be: 1. A power plant; 2. A process department; 3. A foundry department; 4. A forging department; 5. A pattern-making shop; 6. An assembling and erecting shop; 7. An engineering department.

1. The power plant is usually placed in a separate building, and furnishes light, heat and power. It consists of the usual arrangement of boilers, engines, dynamos, pumps, etc. Formerly no choice was permitted regarding its relative location. It had to be where the transmission of power by shafting and belting could be most easily accomplished. Since the advent of electricity, however, the ease with which electric power may be transmitted any distance through wires has made it possible to locate the power plant where most convenient, usually by the side of the railroad track, where there are facilities for unloading fuel and removing waste.

2. The process, or general manufacturing department, usually occupies a number of separate buildings, each, or part of each, being devoted to some particular process. These buildings may be situated side by side, with sufficient space between them for a passage, and to admit light from all sides.

3. The foundry is usually located at some little distance from the rest of the plant, so that the dust and smoke may not interfere with work in other departments. Connection is made with the other departments by means of the shop track, and it is also advisable that the railroad

track be permitted to enter the building for greater convenience in loading heavy castings. A branch of the same track extending along the side of buildings is a great convenience, for delivering fuel, pig or scrap iron, and sand.

4. The forging shop is usually connected with the manufacturing end, and may be of large or small capacity, according to the character of forgings required. In some plants it may be connected with the foundry.

5. The pattern shop provides all patterns required by the foundry or elsewhere, as well as special pieces or castings of experimental or other nature. This should have a well-lighted room or series of rooms, not too far removed from the engineering department.

6. The assembling and erecting rooms are connected with the various branches of the manufacturing department by tracks and traveling cranes, and also admit a spur of the railroad for facilitating heavy work.

7. In the engineering department, engineers, draftsmen, etc., are engaged in preparing the plans, drawings, and specifications for the work, and are usually assigned a floor in the main office building.

The chemist plays no small part in modern factory development, and in some factories all processes are determined in its chemical laboratories.

There may also be a carpenter shop, a paint shop, store-rooms for supplies and completed products, a tool-room, and an experimental room, each of which should be located so as to be most convenient for their purposes. With small articles, it is usually sufficient if the shipping room is so arranged that a truck or a number of trucks can be placed where they may be loaded from a platform with the least handling possible.

Large and heavy articles should be loaded by being deposited on the cars in the erecting room. In such an event, the clerical work connected with the shipping could be performed in the office building.

The general office or administration building may have any number of floors. The first one or two are reserved for the work of the administration and accounting, while

the upper floors are given over to the engineering and drafting departments.

Following the Work.—Tracing the work in its progress through the various departments may be of interest. Granted that the engineering and drafting departments have performed their duties, the pattern-maker is furnished with all the necessary plans, drawings and specifications, from which he is to construct the pattern. This work calls for a high degree of skill, and requires absolute accuracy in its execution. When the pattern is completed, it passes into the hands of the foundrymen, who use it to form an impression in sand, into which molten metal is run. This, when solidified, has the same form as the pattern, but is comparatively rough and may require dressing. Perhaps a part is required possessing a greater degree of strength than a cast article. In this case, the forge shop is called upon. A different quality of metal is heated, and through the agency of hammers, anvils, and other tools of the trade, it is beaten into the shape required. The forgings and castings next pass to the manufacturing department, where all the processes of planing, shaping, filing, drilling, turning and polishing are performed, resulting in the production of a finished part. Meanwhile, the other parts of the construction have been undergoing similar treatment, and all are passed along to the assembling room, where the various parts are joined in the proper manner into the completed product. This is tested in various ways, and if found perfect, and a customer is waiting, is loaded upon a freight car and shipped; and so far as that particular construction is concerned, the duties of the manufacturing end of the plant are at an end.

Grades of Employees.—Noticing briefly the personnel of the force of the average factory, one finds in direct control a factory manager, who gives his orders through a superintendent. The superintendent passes the order along to the foreman, of whom there may be several, one over each department. Under the foreman are a number

of gang bosses, who in turn oversee the work of a number of men. If a report has to be made when work is completed, it passes, step by step, from gang boss to foreman, and from foreman up till it reaches manager. This has a strong resemblance to red tape, but a certain procedure must be adhered to if things are to move along smoothly, and by following such a method no dissatisfaction is ever created by one official over another's head. The only exception to this unwritten law applies to cases where an important official may detect a breach of discipline, careless or injurious use of tools or machines, waste of material or actions which endanger life, in which event he may demand that the action, whatever it is, should cease immediately, bringing notice to the person in charge of the offending workman.

All official communications should be written and duplicate copies preserved, as in this way alone an accurate record of events is available, and responsibility can be traced to the proper place.

The One-Building Plant.—While we have here considered plants of several buildings or departments, the same general rules will govern the factory confined to a single building. The first requisite is so to receive and assign material as to eliminate unnecessary handling. How often have we seen shops of the older type, whose receiving and delivering rooms were at some out-of-the-way corner of the building, thus necessitating long carrying distances and inconvenient distribution. The modern shop will have such distributing points located in some central room, convenient to the hauling platforms on the one side, and to the workrooms on the other.

Material received at this central point goes the round of the building, from machine to machine, finally emerging from the finishing room direct to the stock-room, which in turn adjoins the shipping department. A little care in planning a building with reference to the particular line of work, route to be followed in manufacture, size of finished product, location of elevators, etc., will work wonders in reducing cost, promoting efficiency, and, last

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but not least, keeping the force of workmen in good humor.

Plant Efficiency.—The primary object of the model manufactory, whether large or small, is reduction of the cost of production. And this may be secured only by a combination of desirable qualities, known as plant efficiency.

The actual work of manufacturing in its bearing upon efficiency may be classed under two heads: general and special. General manufacturing has to do with the duties of department heads, upon whom it devolves to produce results through the exercise of their special qualifications. Special manufacturing applies to the actual operations involved, and is of maximum importance. Any machine or contrivance that simplifies an operation or increases production is a factor in increasing efficiency. In conclusion, it may be said that the problem of economical production is solved only through the agency of an efficient tool in the hands of an efficient workman—both being housed in a convenient plant.

Safety First.—Americans are proverbially wasteful of property, health and life, and it has long been the custom to compare our country unfavorably with Europe, because of our many destructive fires, the numbers of working people who suffer from accidents or acquire occupational diseases while pursuing their daily employment, and the appalling fatalities on our railroads and in many lines of industry. But when a worthy movement is well begun in America, it goes on with a rush. "Safety First" is the slogan of a new era, and we may hope the time is not far distant when America will lead the world in the safeguards she puts about the health and lives of her people. The movement to conserve human life and health is educational and includes the whole people, from the president of a great railroad or manufacturing company to the home, the farm and the public school. The nations of Europe have been working on the problem for sixty years. In great cities like Berlin and Amsterdam, for instance,

there are permanent museums for safety appliances, housed in fine buildings, which are also centers for discussion of the prevention of accident and occupational disease and the promotion of health and safety among the working population. New York has followed their example with the American Museum of Safety—not yet in a building of its own—and Boston, San Francisco and other cities are making the beginnings of similar institutions. A bill for the establishment of a Bureau of Labor Safety and a National Museum of Safety Appliances passed the House of Representatives in March of 1914. Probably it will not be long before all the large cities of the country have established these educational centers. Already the New York Museum is eagerly sought by railroad officials, factory owners and superintendents from many parts of the country, only too glad to profit by the experience and wisdom of others in making the lives of their patrons and employees safe.

As an instance of the new interest in conserving human life and health, the American Museum of Safety in New York City has now the awarding of six gold medals each year for safety devices:

The Scientific American Medal is given such individual or corporation as has produced and exhibited in the American Museum of Safety within a recent period of years any perfected device or utility which in the judgment of the Jury of Awards of the Museum best conserves human life and limb in the process of productive industry or other avocation.

Travelers' Insurance Company Medal is given to the American employer, either individual or corporation, who has in the judgment of the Jury of Awards of the Museum done most for the safety of the employees.

The Louis Livingston Seaman Medal is awarded for progress and achievement in the promotion of hygiene and sanitation and the prevention of disease.

The Rathenau Medal is given by a German company, to be awarded through the American Museum of Safety, for the best device or process in the electrical industry safeguarding industrial life and health.

The Anthony N. Brady Memorial Medal is given to the American Street Railroad which has made the best record in accident prevention and industrial hygiene affecting the employees and the public during the current year. In connection with this, a silver medal is awarded to the department of the successful company that has contributed most toward these ends, and a bronze medal to the particular individual of the company whose service has been most important in these lines.

The E. H. Harriman Medal is offered by Mrs. Harriman to the American steam railway making the best record in accident prevention and industrial hygiene during the current year. In connection with the last award of this medal, it may be noted that the Southern Pacific for five years operated 12,000 miles of railroad without a fatality to passengers through collision, derailments or other train accidents, handling 200,000,000 passengers through an average distance of forty-five miles.

In many cases even where the State laws do not compel them, employers of labor are planning safety campaigns and putting them into effect. They have not only the humanitarian reason for this; it is business economy, for even if the employer is not compelled by law to compensate the injured workman, he is handicapped in his own prosperity whenever an experienced hand must be removed because of accident, to have his place filled perhaps by a man unfamiliar with the duties, endangering himself and other workmen, and retarding the output of the plant. Liability laws are being made to bear more and more heavily upon the employer of labor. Old laws are interpreted more favorably toward the workmen, as shown by the steadily increasing number and size of the judgments rendered, and new laws in many States take away from the employer the defenses, such as assumption of risk by the employee, and contributory negligence, upon which he could formerly rely. In some States, workmen's compensation laws require that payment be made for all accidents of employment, regardless of negligence or fault upon the part of the employee. Such payments are according to specified schedules. Work-

men's compensation laws have made industrial insurance popular and necessary. Besides guarding the employer against loss by accidents to his employees, it makes certain a thorough inspection of plant and machinery by expert men from the insurance company, and is thus an invaluable aid in preventing accidents. The insurance companies also issue in printed form excellent information as to safety devices and plant construction.

Naturally the large manufacturing companies take the lead in safety campaigns. They issue pamphlets and employ lecturers to instruct their workmen how to avoid danger, and sometimes have recourse to moving pictures to show the right and wrong ways of doing things. They install safety guards at all danger points and equip emergency and hospital rooms in their plants. By instruction and caution signs, they check both ignorance and carelessness, while the protective devices serve not only to make the machines "fool proof," but to call every workman's attention to the danger spots in the establishment. In Europe it is customary to have the guards placed over moving parts of the equipment painted a bright red so that even the workmen who are most ignorant may recognize the danger signals. An effort is being made in America to adopt also a universal danger signal—a red circle on a white background, with whatever wording is necessary underneath. Whatever tongue the workman speaks, and whether he can read or not, he understands that the red circle spells danger, and guards against accident there.

Many employers refuse to purchase a single machine unless it is provided with safeguards at all possible danger points. Gears, belts and pulleys, flywheels and driving belts, set screws, sprocket wheels and chains, rolls and knives, punch presses, emery wheels, electrical lighting and power apparatus, stairways, platforms and runways, manholes, elevators—these and all other apparatus have their special protective appliances. Foul air is guarded against by ventilation; dust and flying particles of steel or stone are removed by suction devices, while hoods over the vessels in which chemical processes are

going on remove poisonous gases and vapors. Even the small manufacturer can put these principles in practise, and where it is not feasible to procure the manufactured devices for the purpose, simple home-made devices may prove equally effective. It is the employer's part to have his plant well lighted, well ventilated and fireproof, and to see that danger spots are guarded. It remains to carry on a ceaseless campaign against the carelessness and ignorance that prevent efficiency and cost so much in health and life. The proper discipline and training of employees is, after all, the greatest factor in the prevention of accidents. Rules for safeguarding the lives and property should be posted, and the penalty for wilful disregard of them should be dismissal. No man should be assigned to take charge of a particularly dangerous operation without proper instruction, and due regard to his fitness to handle the emergencies that may arise there. The regular use of intoxicants in any considerable quantity is bound in time to make a workman undesirable as to efficiency, liable to cause accident and unable to act in an emergency. The good-will and cooperation of the working people themselves are necessary to the success of any campaign for efficiency or safety, and it is usually easy to secure these when honest attempts of this kind are made by the company.

In "The Prevention of Factory Accidents," Mr. John Calder attributes most industrial accidents to the following causes: Ignorance, Carelessness, Unsuitable Clothing, Insufficient Lighting, Defects of Machinery and Structures, Absence of Safeguards; and to these may be added Insufficient Room, Uncleanly Conditions and Lack of Good Air. Of course, it is impossible to obviate these entirely. By careful instruction and by discipline, the number of accidents due to carelessness or ignorance can be greatly reduced, particularly if all foremen cooperate with the superintendent in bringing this result about. Providing guards for danger places will do away with many more, but safeguards are of no avail unless the workmen consistently use them and foremen hold the people under them to strict observance of the rules. If

warning fails to reform an employee, whose negligence may endanger himself or others, he should be discharged.

Suitable Clothing.—It is important that all employees wear clothing suitable to the work they are to do. It must always be kept in mind that the women and girls employed are in special danger and need special instruction and protection, since, from their long hair and the very fashion and material of their clothing, machinery that seems safe for men is unsafe for them. Flowing sleeves are not suitable for work about machinery. Aprons should not be made with long strings: light, thin material, easily tossed about by every movement, by the wind or by the suction of the machinery itself, is out of place in the factory. It is important that every woman and girl employed be impressed with the dangers resulting from wearing the hair loose when working about machinery. Accidents are all too frequent in which a girl's scalp is torn away after strands of her hair have caught in swift-moving machinery. Rules as to suitable clothing should be enforced upon both men and women.

Proper Lighting.—Many accidents result directly or indirectly from the poor lighting of passageways, basements or rooms used for factory operations. There is no excuse for poor lighting where new construction is undertaken. Indeed, the up-to-date factory is a marvel in this respect when it is surrounded by other buildings. If existing conditions do not admit of constructive improvements, every effort should be made to improve the lighting conditions. White paint or frequent whitewashing will give the walls a reflecting surface that will aid greatly in diffusing the light. If artificial lighting is necessary, it is poor economy to stint it, though much may be wasted by wrong placing of lights. Lighting companies are usually ready to furnish expert information as to the best methods of diffusing light through a room, and to show by actual experiment the best placing of lights for particular machine work. Here,

again, there is no excuse for ignorance, and abundance of light, arranged to the best advantage, means more and better work, preserves the eyesight of the workmen, and is of obvious use as a preventive of accident.

Ventilation.—In our times, few people are ignorant of the value of fresh air. It is necessary for the health of the people who work, and without it the clearness of mind and activity of body necessary for efficiency and safety can not be maintained. In foul air, one keeps neither physical nor mental alertness. Less and poorer work is done. Accidents become more frequent, as the fatigue usually due to overwork, one of the most fruitful causes of accidents, appears sooner.

Oiling and Cleaning.—The oiling and cleaning of machinery should take place when the machines are not in motion. Should it ever be really necessary that either of these operations be undertaken without stopping the machinery, it should be done only by an active, experienced workman, dressed in tight-fitting clothing. His oil can should have a long neck so that his hands may be kept out of danger. Oiling the overhead machinery and shafting should be done with a platform system. If this device is not available, a safety ladder secured on the floor by sharp metal points, and having hooks at the other end to hold it to the shaft, may be used.

Safeguards.—Every effort should be made to see that the machinery is properly inspected, and that all defects and signs of wear be found and provided for before serious accident occurs. It must be remembered, too, that plenty of room is necessary wherever there is possible danger and that the accumulation of waste material may cause a fall against some part of the machinery that would otherwise be out of the way. Shafting near the floor should be fenced in; vertical shafts should be surrounded by a metal or wooden casing; overhead shafting if sufficiently low to be within reach of people on the floor should be fenced in. All gears, belts, sprocket

wheels—in fact, any moving part likely to cause accident if the workman comes in contact with it should be guarded. Every precaution should be taken in the guarding of electrical apparatus and appliances, and only experienced workmen fully instructed as to all danger points should be entrusted with the work. Great care should be taken to protect dynamos and other parts of the electrical apparatus or systems of wiring and transmission. Where much electrical machinery is used, the pulmotor, used to revive persons suffering from electric shock, is a valuable aid.

No protruding set-screw which revolves can be considered safe. There are many ways of guarding them. They may be countersunk, made in hollow form flush with the collar and worked with a square key, or protected by a safety collar of wood with a hole in which the protruding screw is placed. This collar is in two parts and screwed together when in position on the shaft.

Exhaust systems should be installed to carry away dust, gases, and the fumes of chemicals. By covering the apparatus where these are produced and employing exhausting or burning devices, and if these prove insufficient by providing the workmen with guards or respirators, the health of the workmen may be protected. Wherever there are flying particles of emery or stone or glass, the workmen should be provided with goggles or perhaps even with face masks.

Too much care can not be taken in the handling of inflammable material. Not only should everything of this kind be carefully stored, but notices should be posted warning of danger and requiring workmen to use all necessary precautions.

Stopping the Machinery.—It should be possible to shut down any or all machinery quickly from any part of the plant in case of need. This can be done by stop devices or other methods for disconnecting the power. If the machines are arranged in groups, rooms, or departments, and power is supplied by a prime mover in each room or department, there should be some power-controlling de-

vice, such as a switch or throttle, within easy reach of the operators affected, so that all the shafting and machinery of the group can be shut down at the same time. If the prime mover is without the group and the power is supplied through main or line shafts, the power-receiving wheel should be provided if possible with a friction clutch or other power-controlling device that can be operated easily by the operatives affected, and each department should be connected effectively by telephone, speaking tubes, electric bells or lights, with the room where the prime mover is located. All machines which need to be stopped frequently should be provided with tight and loose pulleys or some other device for disengaging power quickly, so that a dangerous machine can be stopped without delay in an emergency. A single machine, like a roll-feed machine where there is danger of the hand being drawn in, may have an arrangement for immediate stoppage either by hand or foot. In many modern factories the power is furnished from a central power house for generating the current, but each separate machine is supplied with its individual motor. Each motor has a cut-out button within easy reach of the operator, so that any machine may be stopped instantly in case of accident.

These suggestions are offered for elevators:

Employ a careful operator.

Equip the elevator with an efficient door-locking device.

Frequently examine every part of the elevator equipment, particularly the machinery, the cables, the overhead supports and sheaves, and the safety devices, and replace or repair the defective parts without delay.

See that the hoistway is guarded.

See that every entrance to hoistway is protected by doors or gates, and insist that they be closed when the elevator is away from a landing.

Instruct the operator never to start the elevator until he has first completely closed the entrance door.

People often look into the elevator shaft and are struck by the descending elevator.

If possible, the handling of explosives or of especially inflammable or dangerous material should be confined to

a building by itself. If it is necessary to have such work done in the main building, the room should be thoroughly fireproofed and every care taken to confine any disaster that may occur to the room in which it originated.

Notwithstanding all the precautions taken, accidents will happen. When one does occur, it should be immediately reported and thoroughly investigated. Most of the large factories now have what is known as a safety committee, men who are appointed by the superintendent from different parts of the factory. It is their business to inspect all machinery and report to the superintendent any condition that is considered unsafe or unsanitary. If an accident does occur, the committee should investigate the condition immediately, and, if possible, make suggestions for guards or changes, so that a repetition will be impossible. Knowledge of how one accident happened will help prevent others of like nature. Foremen of departments doing similar work should be fully informed of the nature of accidents occurring in each other's department.

First Aid and Emergency Rooms.—Every factory should have a system for furnishing first aid to the injured, for the effects of an accident may be greatly intensified by lack of proper care of the injured person. If there is not a fully equipped emergency room, it is necessary that there be a depot of supplies, and that some of the men have the training to give first aid. It is well, too, to have the names posted of people competent to render this service, so that there may be no delay in sterilizing wounds, checking hemorrhage, and doing whatever will not wait until the arrival of a doctor. Any good medical practitioner can impart the necessary knowledge to a group of intelligent workmen, and it may often be the means of saving life or promoting quick recovery.

An emergency room provided with medicines, bandages, antiseptics, instruments—all kept in glass cabinets—a portable washstand, a movable stretcher which may be shifted on wheels, a cushion lifted by straps, aseptic towels, surgical soap, and hot-water bottles. Everything

should be ready to alleviate the pain of the sufferer from an accident and to facilitate the work of the doctor when he comes. For, of course, the first thing to do in case of accident is to send for the doctor, and no attempt should be made to give the treatment which can only be properly done by a doctor.

The effectiveness of these safety campaigns is evident from the records of the large companies that have kept statistics. One company reduced the number of accidents 60 per cent after two years of safety work. Another reduced the number of serious shop accidents 63 per cent. A railroad company reduced the number of fatal accidents to employees 29.9 per cent, and of fatalities to passengers 31.4 per cent. Wherever the cooperation of officials, workmen, and foremen is secured, the improvement is marked. One large company, to secure the cooperation of its workmen in a campaign for safety and efficiency, appointed experienced workmen from each department as a committee of inspection. They took four days of the month for this work, receiving their regular pay and a bonus of \$5 each for a report. The result was a thousand suggestions, nearly all of which were practicable.

A plan in effect in many large corporations is to have a committee which conducts thorough inspections of all plants connected with the corporation, considers proposed safety devices and plans for interesting the workmen, issues a book of safety rules and regular bulletins on safety, sanitation, and welfare work. Each department has its own committee of safety composed of foremen and representative workmen. They inspect their department, make recommendations and reports, investigate accidents and report thereon. In the company's bureau of employment is a sign in many languages informing the applicant that unless he is willing to be careful of the safety and health of himself and his fellow employees, the company does not wish to employ him. A foreman must pass an examination on the safety rules. All the men are invited to take these examinations, and a "Safety First" button is given to each one who passes the examination. Accidents, no matter how trivial, are treated at once by

the doctor. It is said that the reduction in injuries for the whole company is 46 per cent, and that in terms of men that means that 9,000 have been saved from injury or sudden death since the safety movement went into effect.

Sanitary Conditions.—It is not a matter for question that providing sanitary conditions is conducive to economy, efficiency, and good-will. Efficiency depends to a great degree upon health. Pure drinking water, ample washing facilities with such details, perhaps, as fixtures for soap that make it unnecessary or impossible for one employee to use the cake that has just been in another's hands, rolls of paper towels, individual paper drinking cups, all tend to increase both health and self-respect. Workmen should be given the opportunity to leave the plant clean. Careful attention should be given to the construction and care of proper toilet facilities. The working people should be guarded against sudden changes in the temperature, and against impure air. Too much interest cannot be taken in instructing the employees, particularly where there are many foreign workers, in the laws of health and safety.

One of the important results to the employer is the increased good-will existing between himself and his workmen. As Melville W. Mix says: "Man shall no longer be regarded as a machine. There are too many opportunities open to the red-blooded man of this day to necessitate his accepting employment on that basis. We all know of instances where men are continuing in positions for less money than they are offered, or may obtain elsewhere, because of the satisfactory conditions and consideration which they enjoy, which is sufficient to prove that money is not necessarily a competitor with occupational good-will."

Fire Prevention and Protection.—It is estimated that the property loss by fire in the United States amounts to \$250,000,000 yearly, and this immense sum includes no part of the cost of maintaining fire departments. Here, again, the United States is far behind Europe, but our

practical people are awaking to the serious economic results of their lack of care in this regard. Insurance companies distribute the money that seems to make good fire losses, but they must first collect it from the people. Many men do not realize the amount of fire tax they pay, though insurance rates are greater wherever there are special hazards in their plants. The manufacturer knows that he pays a fire tax for all lack of forethought and judgment on the part of the architects and builders of his factory. Often he can find no way after the completion of the buildings to obviate the structural defects from the point of view of fire hazards, or the dangers of unwise placing of hazardous processes. As long as the buildings stand he finds these defects operating as fixed charges upon the property, in the necessity for special protection and a higher rate of insurance. For the insurance rate is a measure of hazard—a high rate on a bad risk and a low rate on a good risk. Fireproof buildings were first made with the object of protecting the property invested. We are now coming to realize that it is still more important to protect human life. It is said that 1,500 lives are lost every year in destructive fires throughout the United States. Nine fires alone in the past six years have cost 1,400 lives. The Asch Building in New York City, where the terrible Triangle Fire that cost the lives of 147 working people occurred, was of fireproof construction. The morning after the fire a passer-by could find little in the outside appearance of the building to indicate the holocaust that had taken place within it. Yet it had proved a death trap. A fireproof building guarantees no safety to life if the floors are covered with inflammable material and you cannot get out of it.

Most factories built for the purpose are now of fireproof or slow-burning construction, and great attention is given, in designing the buildings, to details that will be of value in preventing the spread of fire. In the first place there should be other emergency exits than fire-escapes. Where many people are employed it may take too long for all to descend in that way. It is well to remember, too, that a fire-escape which passes windows may be completely

swept by flames in any serious fire, in which event it may become impassable for the employees. Windows of wired glass afford some protection. The door that opens inward has long been the subject of discussion, and it is amazing that it can still be found in structures that house large numbers of people. Every door in every building where many people work or congregate should open outward. Even fastenings may be forced by a crowd pushing against the outward opening door, but the pushing of people against the door that opens inward holds it fast shut, even when it is not actually locked. The importance of safeguarding all means of exit is so well recognized that special devices are now on the market to insure the opening of a door when pushed against by a crowd from the inside, at the same time securing the entrance from outside intrusion.

Franklin W. Wentworth, Secretary of the National Fire Protection Association, writes in the "Architectural Record":

"Fire protection engineering is coming to be a profession by itself, but, after all, its chief distinguishing quality is common sense. The principal demand is that the architect and builder should have a consciousness of the fire hazard, for up to this time very few of them have thought much about it. With the thought of the importance of this item in their minds no grievous blundering is possible, and technical advice on specific features can generally be had without charge from fire-protection engineers in the service of the various underwriters' inspection departments having jurisdiction.

"Experience in fire-protection engineering suggests three points to be kept in mind in planning a factory:

1. There should be as little combustible material as possible used in its construction and equipment.

2. Each floor should be absolutely cut off from every other floor, and each section from every other section, so that fire may not communicate.

3. Every part of the factory should be equipped with fire-extinguishing apparatus."

The same authority states that the slow-burning or

"mill-construction" type of building is not undesirable if it is provided with the proper safeguards, while some builders and manufacturers prefer it because of the greater convenience it offers for the attachment of pulleys and machinery. But with reenforced concrete construction every floor may be made a fire-wall, provided all vertical openings are guarded by fire-doors and shutters. Such floors offer the very great advantage of confining a fire to the story where it originates, especially if wired glass windows aid in preventing the blaze from creeping up from story to story on the outside. Whether of fireproof or slow-burning construction, every factory should have all its stairways, elevators, and belts in fireproof enclosures with fire-doors and shutters for all openings. To prevent water damage to the goods on the floors below, scuppers may be set into the walls to drain the floors after a blaze. It is impossible, however, to make buildings that are filled with inflammable material absolutely fireproof. Besides the fireproof divisions between stories, fire-walls with standard self-closing fire-doors should separate large floors into comparatively small areas, and if the construction is not fireproof, these walls should extend above the roof and out beyond the walls on either side.

The danger of a fire's creeping up from story to story or entering from a near-by building through the windows is greatly lessened by using window frames of metal enclosing wired glass. These metal frames need careful construction to prevent buckling under exposure to heat. Of course, the sashes can be operated as conveniently as any other window-sashes. It is obvious that steel beams or parts necessary to the support of the building should be sufficiently fireproofed to prevent buckling under exposure. Rooms containing explosives or particularly inflammable material, or housing dangerous operations, should be provided with fireproof walls, floors, and ceilings, even when the remainder of the factory is of other construction.

The most important of all appliances for protecting lives and property in factories is the automatic-sprinkler system, and there is no excuse for constructing factories in modern times without providing this. It is said that if

automatic sprinklers are properly installed and provided with abundant water supply, they are practically certain to do their work successfully. All kinds of fires are checked before they assume alarming proportions, provided only that the sprinkler system has not been previously neglected. It operates quickly and either extinguishes the fire or holds it in check.

Next to the automatic-sprinkler system, a well equipped and maintained stand-pipe system is of value. The stand-pipe system furnishes a reliable means of obtaining an effective stream of water for fires in the upper stories of high buildings in a very short time. The necessary equipment of hose, nozzles, etc., should be kept in convenient closets or cabinets which are used for the storing of fire equipment only, marked plainly "Fire Hose," and each story should have a conspicuously located hose station within easy reach. With both automatic-sprinkler and stand-pipe systems there should be at least two sources of water supply, one of them being a gravity supply. The connections for the fire-hose should be such that ample water supply can be obtained under all conditions. Every piece of fire equipment should be frequently inspected. An adequate water supply, amply protected from freezing in winter must be assured.

A fire-door or shutter that is not in place to completely close the opening it guards in time of fire is useless, and the greater the number of openings in a fire-wall the greater the danger that it will not prove effective in case of need. Every such device should be subjected to operating tests frequently to be sure that it closes easily and fits the wall accurately. In designing new buildings, stairways should be made in separate towers and thoroughly cut off. All protective devices against fire hazards should be submitted to the tests of the Underwriters' Laboratories, Inc., and receive their label and classification. Every manufacturer should ascertain the special hazards of his business, buildings, and location, find out in every instance what particular types of doors, shutters, window-frames, extinguishers, etc., are needed for his purposes, and see that the right ones are installed.

Suitable signal and fire-alarm systems are necessary. The use of paint that acts as a fire retardant rather than as a combustible is to be encouraged.

Among the many causes of fire, carelessness and lack of discipline stand preeminent. In several States smoking in factories is prohibited by law, yet two of the most destructive factory fires of recent years have been attributed to the careless throwing of an unextinguished cigarette among accumulated inflammable waste. Here the carelessness of both employee and employer is evident. The employee who is unwilling to refrain from smoking where such damage may result, or any person who tosses away unextinguished matches, cigars, or cigarettes without regard to the danger they carry, may become the direct cause of terrible loss of life and property. The discipline of the factory and the good sense of the workmen should make such criminal carelessness impossible. On the other hand, waste, especially inflammable waste, should never be allowed to accumulate and thus become a source of danger to every one in the building. In preventing carelessness, the good-will and esprit de corps of the employees are most important factors. Working people should be kept informed of any special dangers that exist, as well as of the locations of the many exits and means of escape in case of fire, and of the necessity of having them always in readiness, and they should be encouraged to report anything that would add to the dangers of panic.

Every factory, large or small, should have its fire-brigade, trained to handle all the fire-protective devices of the factory with skill and efficiency. At the head should be some one with authority, whom the men are accustomed to obey. The proper drill and training of this brigade become of utmost importance. There should be frequent drills, giving practise in all necessary details. Besides the general factory brigade, each department should have its separate fire-brigade, working as a unit of the whole. Posted in a conspicuous place in each department should be the names of the men on its fire-brigade and what their duties are. There should be an automatic fire-alarm

sounding on all floors. Usually the fire-brigade of each department checks a fire at its beginning without warning the others, but the men from the whole factory can be called for a dangerous blaze. As all have their special duties, pumps, water-main, and hydrants can be handled with intelligence. Particular men may be given the duty of protecting the stock. Among the necessary aids for putting out fires, the New York law requires at least three fire pails for every 2,500 feet of floor space. In addition to these fire pails, there should be at least three chemical hand fire-extinguishers. Wherever combustibles are used, careful study should be made in order to obtain the kind of chemical extinguisher that will put out that particular kind of fire. Some extinguishers are effective with oil fires and others are not. Wherever fires are liable to be caused by gasoline or oil, there should be at least three pails of sand for every 2,500 feet of floor space. Above all things, cleanliness—careful disposal of waste—is the greatest of all preventives of fire spreading. Even waste-paper baskets may be of metal, and within recent years metal stools, tables, and furnishings of all kinds, at most moderate prices, have been placed on the market. Even where there was no special accumulation of waste, fires have been known to sweep through large places when wooden floors had become oil soaked. In such cases they burn like tinder. Electric conductors, likely to be a source of danger during the playing of streams of water, should be fully explained, and the hazard guarded against both in drills and in actual fires. The fire-drill for employees is invaluable in preventing panic and securing safe exit in time of a real fire. Drills should always be in charge of efficient, active men, and the place of each person should be thoroughly understood—who shall open the doors, who bring up the rear when all employees are started on the road to safety. Elevator attendants especially should be trained. The elevator men should take their cars at the first alarm and wait to receive orders from those in authority. Cowardice and panic are often caused merely by lack of knowledge of the right thing to be done.

II

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II PURCHASING AND STORES

I. METHODS OF BUYING

IN a trading business, that is, one engaged in the purchase of finished goods with the object of subsequently selling the same at a profit, obtaining the supplies at the right price is a feature of vital importance in determining the ultimate success or failure of the house.

Equally important in a manufacturing concern is the ability to obtain the raw materials required at such a price as will make possible the sale of the finished product with a satisfactory margin of profit in the face of competition.

Almost invariably the salesmen employed by a concern arrogate to themselves exclusive credit for the success of their firm. Comparing the relative importance of the buying and selling ends of any business, it may be said that while the inefficiency of the salesmen may result in ultimate failure, a corresponding degree of inefficiency in the purchasing department is quite as certain to result disastrously.

Qualities of the Successful Buyer.—The ability to approach a dealer, manufacturer, or other person having goods to sell, and by dint of haggling and sharp practise induce him to part with his goods for a lower price than is his custom, is considered by some to be an essential qualification and the one distinctive feature of a successful buyer. That this is invariably the case is extremely doubtful. The buyers occupying the most important positions at the present time are those who in

the pursuit of their profession are guided by knowledge acquired in the school of experience, and not those who have relied upon some inherent astuteness in bargaining and their ability to beat down a seller's price. Many buyers, both private and professional, consider themselves imposed upon, if they fail to secure an article without a reduction from the price first quoted.

While this method of doing business may occasionally redound to the advantage of the purchaser, it usually requires but a brief time for agents or storekeepers to become acquainted with these tactics, with the result that a price is first set upon an article considerably higher than the current price, for the benefit of that particular customer.

The vender may then safely reduce the price quoted, and make a sale, while the customer is happy with the thought that he has secured a "bargain."

Requirements for Good Buying.—In order to buy successfully, a very essential requirement is a thorough knowledge of market conditions. The person upon whom these duties devolve must be familiar with all available sources of supply, and the prices set upon such articles as he may require. Prices, however, are not a constant quantity, and may change with very brief notice, or none. The buyer must not only be aware of the fact at the time the change occurs, but should be versed to a sufficient degree in existing conditions to realize for some time previous that such a change is likely to occur. It can easily be understood that when all the indications point to a rise in the price of some particular article the time to replenish the stock is before such change occurs. On the other hand, if conditions indicate a drop in prices, no particular business acumen is necessary to realize the inadvisability of laying in a heavy stock in advance.

In no other sphere of business life are conditions similar to those which govern the buying of goods.

With the exception of his catalogues and lists, the buyer has but little documentary instruction for his guidance. Close observance alone decides him as to what

his business and customers require, and what may be suitable in a certain line or location may be totally unsatisfactory in another.

The ability to read character is of almost as much importance as the ability to read conditions. The salesman endeavors to sell his goods at the highest price possible, while the purchaser seeks to get the lowest. Between the two exists an antagonism, each trying to conclude the transaction to his own benefit. When a salesman utters a statement, which for want of a more expressive name we will term a "bluff," the purchaser familiar with his ground should recognize the statement as such, and when the opportune moment arrives make his position plain.

Successful buying and selling—for one can not occur without the other—requires in the highest degree the faculty of being diplomatic. Quite frequently it is the part of wisdom to conceal information desired by the other party, as such information may have a monetary value of which the vender is aware. Many things must be known by a buyer about the firm by which he is employed, matters, sometimes, most intimately connected with the business. To buy understandingly such must be the case, but to the credit of buyers as a class be it said, that the instances where secrets have been revealed are few and far between.

The possession of a fund of common sense is a particularly desirable qualification in any one entrusted with the duties of buying. Many instances present themselves where the efforts of persons possessed of a thorough technical training have resulted in failure through their inability to act in the proper manner at the proper time, and while the above is applicable to the pursuit of any calling, the absence of such a qualification is absolutely fatal to the success of any one engaged in buying.

Duties Difficult.—"The duties of an up-to-date purchasing agent are quite difficult and should not be looked upon lightly," says Edward N. Chilson, "for, in addition to his being an administrative officer, he remains the man

of details. At least the writer's experience has been such that he found it impossible to throw aside details, owing to the fact that it is paramount for the department's success for one to keep a hand on the pulse of the entire organization; and those who entertain hopes of becoming identified at some future time with this particular field may be assured that hard work and conscientious endeavor are vitally necessary. The work, however, is interesting and pleasant, and leads to higher posts and responsibilities.

"The business training of a purchasing agent is of the best; his duties are diversified, his field of action country-wide, and his acquaintance among business men broad and comprehensive.

"It has been said that the purchasing agent, although a responsible head of a department, performs his duties at greater disadvantage than do the heads of other departments, and with less official recognition. This may have been true at one time; but to-day it is different, as the purchasing agent, if a good one, usually is recognized by his superiors, and his meritorious work is placed upon a high plane of achievement. He should be one of the highly paid officials, not because it is necessary to place a premium upon his honesty, but because his work is important, his position lofty in the true sense of the word, and his vocation one that requires long years of training and careful study. Through this department large sums of money are spent annually, and the spending of this money for materials and supplies is no easy task, provided judicious expenditure obtains. In this department large sums annually may be saved or wasted."

Knowledge Must be Extensive.—The knowledge of a purchasing agent must be extensive. Where it is his duty to secure many and varied substances or articles, he must be familiar with the nature, cost and process of manufacture of the articles in question, in order to discuss intelligently the propositions of the different salesmen he may meet.

When the buyer is thoroughly informed regarding the

costs incident to the production of an article, and the conditions prevailing in the locality where it is manufactured, he is able to decide with a remarkable degree of accuracy just how much profit the manufacturer is making by the sale. If this profit is somewhat liberal, he has some reason for expecting a better price, and may insist more forcibly upon the same being granted. Manufacturers who fail to keep accurate account of the cost of their productions are in no position to furnish their salesmen with information on this point. A salesman handicapped by this lack of information, in order to meet the quotation of a competitor, may sell goods at lower figures than is advisable. In such a case the buyer profits, but where the concern producing the goods and the salesman selling them know exactly the cost of producing, the salesman will turn down an order rather than book it at a loss.

The buyer must be on constant watch for adulterations in the articles he obtains. Although samples of an article may be submitted for his inspection which are perfect in every respect, it frequently happens that several may be found in the shipment which do not fill the requirements. In such a case, the inferior articles must be brought to the notice of those from whom they were obtained, and an adjustment effected. Another unsatisfactory condition, which if allowed to continue indefinitely would work a loss for his firm, results from a tendency on the part of heads of departments to rush to the purchasing agent with a requisition for this, that, or something else which they may have already in stock, but which through lack of diligence or care they fail to discover until fresh stock is ordered. To counteract hasty buying, the buyer must possess as intimate knowledge of the needs of each department as the heads of the departments themselves. In order to act fairly to each department without bringing undue expense upon the firm he must, in fact, possess an extremely detailed fund of knowledge of everything connected with the business.

Buying vs. Selling Prices.—Successful buying does not consist in obtaining the greatest amount of goods for

a given sum of money, but in obtaining the highest grade goods at a fair price, and in timely quantities, with the object of making as large a profit as possible when the articles are resold. As a thing must be bought before it is sold, it is in the buying that the first opportunity is given to demonstrate the possession of ability, and when the supplies of a large concern operating a number of stores or factories are obtained through one office, the problem is one of considerable magnitude. A close buyer invariably endeavors to beat down the prices given him by the salesman, with the results already noted, but the good buyer, on the other hand, is cognizant of the value of the goods, and is satisfied to pay the price asked, provided that the same is reasonable and in accord with current prices.

The selling prices of articles may vary extensively regardless of their intrinsic worth, but the fact that an article may be sold for a price much exceeding its intrinsic worth is no reason why a buyer should not exercise due diligence in obtaining as low a price as possible. On many other articles the percentage of profit may be very small and full advantage should be taken of the opportunity to even up.

Seasonable Buying.—The relation of time to buying is of utmost importance in some lines of business. Many times orders for supplies for winter trade are placed in the summer, and in the clothing trade particularly the weather is a controlling factor. To conduct a clothing trade with the highest degree of success, at least in some localities, would almost necessitate obtaining advance information in regard to the weather. Many a dealer anticipating an exceptionally severe winter has stacked up with clothing to suit, only to find that he had miscalculated and that he was left at the end of the season with much of his stock unsold.

City vs. Country Trade.—Regarding the location of the business, other conditions are encountered. The country storekeeper is acquainted with his entire clientele.

He knows what they must buy and whether they are prompt or dilatory in paying their bills. Conditions do not vary from year to year, and a procedure which has proved successful during one year is almost certain to produce similar results during following years. His customers are not continually moving from place to place, and the competition is not unduly close.

In the city, however, the conditions are almost completely reversed. A large part of a merchant's trade is derived from persons who may not make two consecutive purchases in the same store. The liability of fire is always present to cause destruction to the store or neighborhood; or whole blocks of buildings may be destroyed to make way for some immense public edifice, with the consequence that the immediate district is depopulated. Thus it is seen that in many instances the city storekeeper operating on a small scale is unable to show a percentage of profit at the end of the year as great as that in a small town or village.

Buying for Small Houses.—It is frequently claimed that in a comparatively small business the buying should be done by the person by whom the business is owned. On the other hand, it is held that a storekeeper is essentially a salesman, and although the arts of buying and selling may have a number of features in common, one can seldom obtain a high degree of efficiency in both lines. Many small storekeepers do not think they are running their own business unless they attend to the buying as well as the other duties themselves. Many buy at the suggestion of the traveling salesman who visits them periodically. However, the buyer who is guided by the salesman must not forget that it is to the salesman's advantage to sell as big an order as possible; and the wise buyer will refuse to order more than he can dispose of in a reasonable length of time. The common-sense plan is to obtain from the salesman full information in regard to his stock and trade conditions in general, while the merchant does the buying on his own initiative.

A method of selecting supplies which is even less de-

sirable is to permit the wholesaler who supplies the goods to forward what he considers best. If the wholesale merchant had any means of knowing the requirements of the locality, such a procedure might possibly be satisfactory; but, as this is hardly ever the case, the retailer at the end of each season is in danger of finding himself loaded up with a stock of goods unsuited to the wants of his customers.

Selection of Initial Stock.—When opening up a new store the selection of the initial stock is a matter requiring considerable knowledge of conditions. For any one anticipating such a venture it would be well first to acquaint himself as thoroughly as possible with the trade of the locality.

Close observation of the methods employed in an established store carrying similar lines, provided it is being operated successfully, will be of great assistance. It would even be desirable to secure employment in such a store for some time for the benefit of the experience. As a general rule, it is preferable to follow methods which have proved successful rather than endeavor to introduce new and radical departures. The advice of the traveling salesmen is not to be rejected, but judgment should be exercised in deciding the amount of purchases and proportionate selection of items.

It is also well to become acquainted with the trade journals and catalogues of the various manufacturers supplying the lines in demand, although the catalogues must not always be considered the last word in the matter of price. When about to lay in an extensive stock, it is quite customary to send lists of the articles required to a number of supply houses. If the goods are to be paid for in cash, some supply house to whom the receipt of the cash would be of importance at that particular time may see fit to quote a better price than ordinary, or another may be desirous of moving his stock to make room for new goods and will do likewise. People in business who pay cash, or acquire a reputation of meeting their bills promptly, taking the benefit perhaps of a cash

discount, usually get any favors that are going in the way of low prices, choice stock, favorable delivery, etc.

The buyer for a firm should make it part of his business to see that his house pays its bills promptly, otherwise he may find that prices are becoming stiffer without any apparent reason.

Treatment of Salesmen.—Not a small portion of a buyer's success is due to his treatment of the traveling salesmen. Some misguided buyers seem to think that the salesman is a nuisance, to be gotten rid of as soon as possible. This, of course, is both discourtesy and bad judgment, as it is evident that salesmen of ordinary flesh and blood will not make the slightest effort to give such persons the benefit of any information they may possess.

Buying, whether for a small concern or a large one, is alike in this respect, that the object in either case is to obtain the greatest return for the money expended. However, the methods which prevail in a country store would be far from suitable if applied to an immense department store or manufacturing establishment. Here the work of buying is performed by a department created for that specific purpose, which according to the magnitude of the concern may consist of one person who orders the supplies, taking care of them when received, and doing all the work alone, or an entire department including stock clerks, receiving clerks, clerks who take care of the records, etc. (See *Office System and Management*, Vol. I.)

Duties Enumerated.—Briefly enumerated, the duties of a purchasing agent and his department consist in securing catalogues, names of manufacturers, dealers, and other information regarding sources of supply; obtaining samples and where necessary having the same subjected to test. In conjunction with the superintendent or general manager, he prepares schedules of materials required, secures bids, and distributes orders. Records of all orders must be kept, and a systematic method followed for tracers. All orders that are not filled within a reason-

able period must be followed up. When the goods are received, he must acquaint himself with the accuracy of the amount and their quality, see that they are properly stored in the stores department, which he also controls, and require from the stock clerk and his assistants an accurate report of all goods received or sent out.

To perform these duties satisfactorily, records must be kept of all sources from which supplies are obtained, and the quotations given on each article or class of material.

Trade Catalogues.—A systematic collection of trade catalogues filed according to some prescribed method and furnished with an index is essential, as well as a record of all previous purchases showing the nature and amount of the goods, where they are obtained, and the prices paid for the same. To keep accurate and systematic records of all necessary information involves the adoption of a suitable system of recording and filing. In many cases the designing of the system is intrusted to public accountants, who make a thorough study of the business, and devise methods applicable to the case in hand.

With a crude or inferior system, even extraordinary ability would be of little avail on the part of the persons involved, but the combination of a suitable system and good common sense is almost certain to result satisfactorily.

It is usually an easy matter to secure the names and catalogues of dealers. A new concern is usually made the recipient of a great deal of such literature as soon as houses in the same or similar lines are aware of its existence. A matter of fully as great importance is to have the information so arranged that it may be instantly available.

Card Index System.—In a business handling many lines a record system of value is based upon the card index. The first subdivision of the card is based upon the classification of the goods, and under each class are placed the names of the firms dealing or manufacturing in that particular line. The filing of cards may be effected either

in alphabetical or numerical order. Where the number of catalogues to be consulted is not very great, they may be kept in book-cases or other receptacles arranged under the names of the firms. In many cases the use of an index may be unnecessary as the distinctive appearance of the different catalogues is sufficient to render their recognition easy.

In extensive systems a numerical arrangement is more satisfactory: a sticker may be attached to each catalogue, on which is written a number and, what is also of advantage, its date of issue. A certain group or series of numbers may be used for each line, as, for example, 1 to 100 for "Hardware," 101 to 200 for "Dry Goods," and so on. If the number of catalogues on any particular line should exceed the number assigned to the line, they can be numbered as "1 a," or "1 b," etc., without disturbing the index as a whole. Bound catalogues and others having sufficient stability to stand on end may be placed conveniently in sectional book-cases, where they are in plain view, and thus be located without reference to an index. Pamphlets are better placed in vertical files.

Catalogue Index.—The index to the catalogue list is of vital importance. One method of preparing such an index is as follows: A card of suitable size bears at the top the name of a certain class of merchandise. On the body of the card are written the names of the concerns handling such a line. Opposite the name of the firm are numbers which indicate the location of the catalogue. Where only one or two pages in the catalogue are of interest, the page number should be placed on the card, thus effecting a considerable saving in time. The cards when filled are filed alphabetically under subjects, and may be kept in an ordinary card tray or drawer of a desk.

In some cases the above method is reversed. The cards give the name of the firm at the top, while the names of the articles sold follow in alphabetical order. Inasmuch as a number of concerns may furnish quotations for a certain quality of goods, or one firm may quote on a number of different lines, some systematic record must

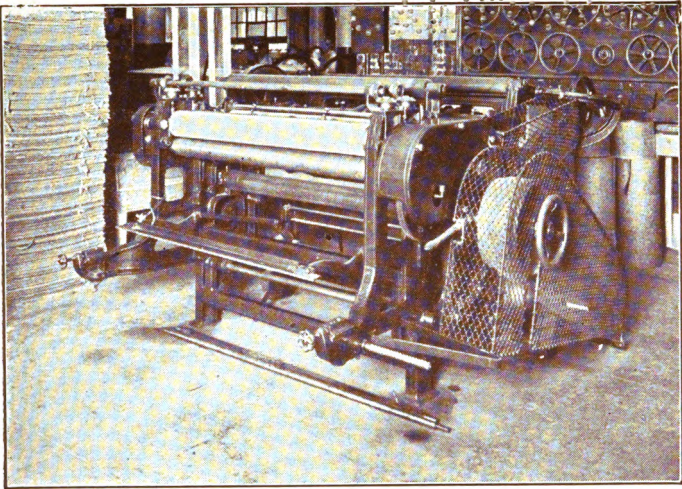
be kept of all such quotations. In addition, the date of the quotation should be specified, as well as the quantity on which the quotation was based, the initials of the salesman by whom the quotation was given, the list price, discount and net price, whether the goods were F. O. B., or to be delivered, and the terms of payment. When an order is given, it should be recorded on the card on which it belongs, but all quotations should be personal and filed in a fashion governed by the nature of the business.

The catalogue file should contain catalogues of almost every manufacturing institution in the country, in such condition that easy reference may be made thereto, not only as to the manufacturers' names, but as to the particular materials and supplies handled. Therefore, in connection with many such files may be found a cross-reference system, in which the catalogues are referred to by names, and cross-references made as to materials and supplies handled by each manufacturer.

An inquiry list should be kept, in which should be found the names and addresses of manufacturers, alphabetically arranged and numerically compiled, so that when a requisition is received from the stores, mechanical or any other department, it is only necessary for the purchasing agent to mark opposite the various items thereon the numbers on the lists under which the various items are classified. Inquiries are then sent into the market, prices obtained and tabulated, and orders placed with the lowest bidders, consideration being given to quality or materials and shipping dates.

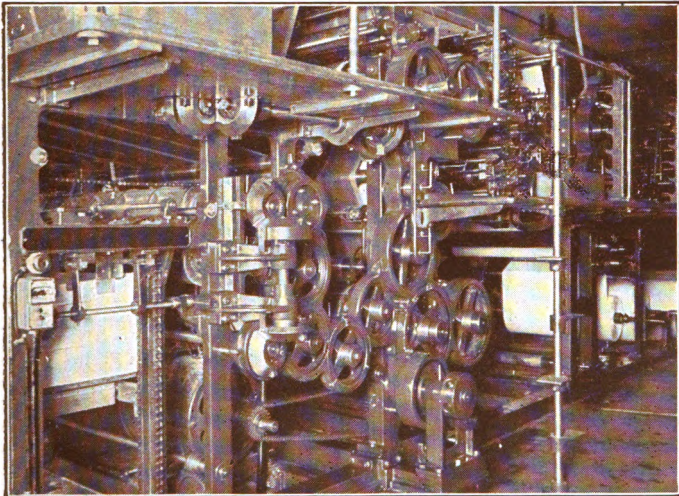
Records of Purchases.—For keeping the records of all purchases, cards should be prepared showing from whom the purchase was made, the number and date of the order, the quantity bought, and all information relating to discounts, prices, and terms, which are filed in a similar manner to the quotation cards.

Loose-leaf devices can be used very advantageously for the recording of information in reference to purchases. The name of the firm from whom the goods are bought is written in a column in the center of the page. On the



Protecting a Belt

The belt of this cloth-cutting machine is completely safeguarded



Section of Printing Press

In this gigantic press, the mass of revolving gears is completely encased. The machinery is equipped throughout with safety stop buttons

70 340
A180711A0

left all the facts concerned with the ordering of goods are set down, while on the right the name of everything relating to their receipt and disposition is noted as fully as possible.

A Uniform System.—In the purchasing department matters should always be arranged, if possible, so that the procedure would be the same regardless of the nature of the goods obtained. While some people are opposed to red tape in the transaction of business, it must not be forgotten that, where extensive interests are involved, some routine work is unavoidable.

For example, when the foreman of a department in a large manufacturing concern finds it necessary to be supplied with certain articles, let us trace the various steps taken before these articles are delivered into his hands. The foreman prepares a requisition on a form provided for the purpose. Such forms have the name of the department printed upon them, and frequently those for a particular department have a distinctive color. Each sheet is also consecutively numbered. The requisition should state the purpose or job for which the goods are required, their exact description; and the quantity necessary. It must then be signed by some one in authority, usually the head of the department, or vouched by the superintendent. It passes to the purchasing department, and if the articles requisitioned for are in the stores, and the purchasing agent is convinced that a genuine need exists in the department for such supplies, the same will be delivered. Perhaps if the articles asked for are not in hand, others may be substituted, but if this is impossible, some outside source of supply must be called upon. A copy of the requisition is usually kept by the department. Sometimes three copies are prepared, two of which are sent to the purchasing department. On one of these the purchasing agent notes what is being done in regard to filling the requisition, and returns it to the foreman. This, however, can not be considered essential, as the foreman is chiefly interested in getting his supplies, regardless of the processes involved.

The Requisition.—The requisition may be termed the nucleus around which the entire department work is centered. Requisitions are issued by the various departments, setting forth in detail the materials and supplies required, and are usually sent direct to the purchasing agent, after being approved by the proper officials. These requisitions should convey complete information, including correct technical description, as well as shipping instructions and dates when materials are required at destination. The requisitions, upon reaching the purchasing department, are put through the system as previously described, for the placing of orders.

Department officials should make all requests for materials and supplies in due form to the purchasing agent, and where circumstances warrant, submit recommendations; but beyond this, in the matter of purchases, they should not go. The purchasing agent should be left with a free hand for action, accounting only to his superior.

Orders for Buying.—The purchasing agent's duty is next to ascertain where he can obtain the supplies needed on the most advantageous terms. If the order is comparatively large, he may ask for a special quotation. Perhaps it may also be necessary to obtain samples of goods. When all the preliminaries are arranged, an official order is prepared and sent to the firm selected to supply the goods. One or more copies of the order are made at the same time. If the same person receives the goods who ordered them, then one copy is sufficient, but if the receiving is done by a special clerk he must be furnished with a copy to keep on file and to check the goods when received.

When the business is extensive and a vast number of orders are given every day, more copies may be necessary. For instance, the original will be sent to the supply house as before, and what is termed the "follow-up" copy will be held by the purchasing agent and filed in a date file.

Following up Orders.—After the order is placed, the next move is to see that no delay takes place in the ful-

filment thereof. The "follow-up" clerk should communicate with the manufacturer, ascertain the probable shipping date, and prepare for tracing the shipment after it is made. The efficiency of the average purchasing department could be materially increased by the employment of competent men in sufficient numbers to follow shipments from the time orders are placed until the material arrives at destination. Such employees should be aggressive and possess a good general knowledge of shop conditions and transportation methods. If four or five days are considered amply sufficient time for an acknowledgment, the follow-up copy will be placed in the space reserved for the fifth day. Each day the orders under that particular day are examined. When the fifth day arrives, the follow-up copy is brought to light. If it has not been acknowledged, an inquiry is sent. If it has been acknowledged, the copy is moved along in the file to about the time the delivery may be expected. In this way it is impossible for delays to continue unnoticed, which might easily occur were it not for some such device. A third copy is sent to the receiving clerk and is filed by him under the name of the manufacturer, and when the goods are received each item in the shipment is checked with the order and the order returned to the purchasing agent.

Checking up Orders.—In some concerns this part of the procedure is somewhat modified. It is claimed that certain receiving clerks, when desirous of avoiding the work of counting the items of a shipment, can check an order and return it whether the amounts are correct or not. To avoid such remissness in duty, special receipt blanks are placed in the hands of the receiving clerk upon which he must specify full particulars of the goods received. This list is then checked in the office of the purchasing agent, and the slip or order next passed on to the auditor or comptroller, who thus is informed of the extent of his obligations, and is given time to make provision for paying the bills when due.

The cost department is also provided with copies of all orders, with the prices for the information of the clerks

in that department when completing their reports. When the factory is at a distance from the office, another copy is sent to the office manager, who by this means is furnished with a complete record of all supplies furnished that branch of business over which he has control. After the goods have been delivered and checked by the receiving clerk, and the auditor notified of the transaction, the duties of the purchasing agent, so far as that particular transaction is concerned, are practically at an end. In this instance three documents remain in his possession: (1) the follow-up copy of the order, which is filed under the name of the manufacturer; (2) the checked copy returned by the receiving clerk with his memoranda; and (3) the requisition—the last two being attached to each other and filed under the serial number and department heading of the requisition.

Importance of Checking Freight Bills.—A matter of vital importance to a large concern is that of carefully checking freight bills at the receiving office in instances where the freight is to be paid by the shipper or to the consignee. Frequently large losses have been discovered, through no one's dishonesty, but simply from carelessness at the other end of the line. To cite an instance in point, a manufacturing concern which was accustomed to purchase goods F. O. B. the factory did not at all times exercise due caution in checking the freight bills. Very little freight was prepaid at the other end of the line owing to inconvenience in marking the shipments. By marking the freight "collect" the shipment was expedited, and the consignee was expected to pay the charges and deduct from the invoice. In this instance they paid the charges on all such shipments and charged it to the freight account instead of charging it back to the shipper. In the course of three years the loss from this one source amounted to more than \$7,000; and this loss was only ascertained when the books were being gone over by a public accountant.

In fact, it is very easy for such a leakage as the above to occur in any business. The shipment of material, such

as books, is frequently sent out "collect" as the weight is not known in the shipping office. If marked F. O. B., destination, the man at the other end of the line can and should send back a debit memorandum or deduct from the invoice. If he fails to do so it will be his loss, as the shipper will probably not think of it again unless it is called to his attention by the debit memorandum. No shipper can be expected to look specially after the interests of the other man; he must see that his own bills and so forth are properly taken care of. A public accountant states that this one item has been responsible for the loss of thousands of dollars to business houses large and small.

2. RAW MATERIALS

Raw materials, whether derived from the earth, air, or water, are principally those products of nature which are unmodified by human agency. A secondary meaning of the term has arisen, however, which will be considered presently.

As such, raw materials would consist of coal and mineral found in the earth, the products of the sea, and the various vegetable products which grow upon the land. In some parts of the world such products suffice for the sustenance of the natives without the necessity of their being subjected to even the most simple processes of manufacture. Such is the case in tropical countries. The warmth of the climate makes clothing practically unnecessary. Huts of grass or cane serve as a protection from the elements. An abundance of food is obtained from the berries, nuts, and fruits of the forest, supplemented by the flesh of such animals or fish as they may succeed in capturing. All the requirements of clothing, food, and shelter being thus bountifully supplied by a beneficent nature, no incentive is given to the native to bestir himself in an effort to improve either his mental or material welfare.

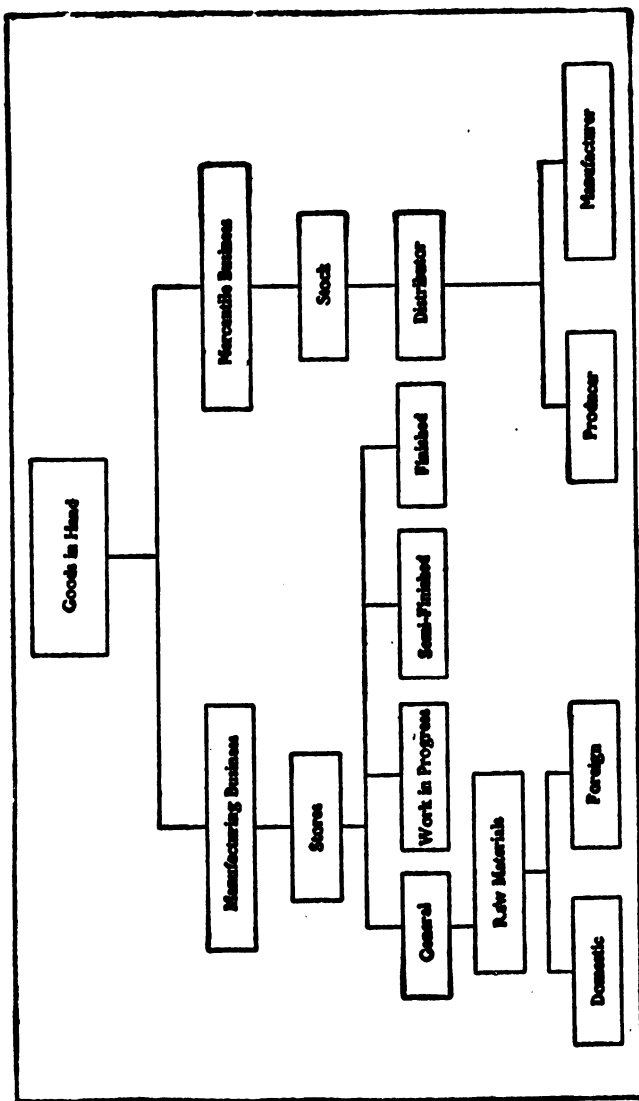
Results of Soil and Climate.—How different are the conditions in the colder countries! Fruits and food

products do not grow in such profusion, nor are they obtainable for the unrestricted use of the public at large. In consequence, food products have an economic value, and strenuous efforts are necessary to procure them from the earth or to obtain values of an equal amount for their purchase. Particularly is this the case at the present day when the "high cost of living" is engrossing general attention. The severity of the climate in cold countries also requires that ample provision must be made for clothing and shelter.

The conditions of the soil and climate make it incumbent upon every individual in temperate or colder countries to labor. The drudgery of this labor, plus his natural ambition to obtain the best results in the shortest time, stirs his inventive faculties toward producing agencies whereby his work may be reduced or simplified. The two combined are responsible for practically every labor-saving device that has ever been invented.

Nature's Products Require Treatment.—With very few exceptions the raw materials of nature require special treatment in order to become suitable for the needs of mankind. Every machine, therefore, may be defined as an agent which transforms, or aids in transforming, raw material into finished products. This brings us back to the original question, What are raw materials?—but now the answer must be stated so as to accord with specific conditions. In this connection the word "raw" becomes purely a relative term, and it might be hard to improve upon the definition propounded half a century ago by Mr. H. C. Carey in his "Principles of Social Science":

"What, however, is raw material? In answer to this question, we may say that all the products of the earth are in turn finished commodity and raw material. Coal and ore are the finished commodity of the miner, but the raw material of pig-iron. The latter is the finished commodity of the smelter, yet only the raw material of the puddler, and of him who rolls the bar. The bar, again, is the raw material of the sheet iron, that in turn be-



SOURCES OF GOODS IN HAND

coming the raw material of the nail and spike. These, in turn, become the raw material of the house, in the finished cost of which are concentrated all the changes in the various stages of passage from the crude ore lying useless in the earth to the nail and the spike, the hammer and saw, used in the construction of a dwelling."

What is true of iron applies to almost every other commodity. An article of food such as bread, for example, is produced not through the agency of one person or implement but of several. The farmer prepares the ground by tilling and fertilizing and sows the seed. He also garners the harvest, the grain is thrashed and passes into the hands of the miller, the flour produced by milling is given to the baker, who prepares the dough which is baked into bread.

Take again articles of clothing. The farmer's services are required to produce the cotton, which passes through the gin. It is then carded, formed into rolls, spun into thread and woven into cloth, becoming the finished product of the mills; but it is yet the raw material of the tailor, who fashions it into clothing. Details of similar processes from a raw or crude state to that of usefulness might be given, but the above will suffice to indicate the force of the definition.

Two Classes of Raw Materials.—Considering raw materials in the broadest application of the term, it may be stated that they are susceptible of division into two classes: First, those which are a free gift of nature and for which no price must be paid; and second, those which exist in limited quantities or in such a quantity that the supply is not equal to the demand. The first class would include air and water, but even these are subject to restrictions and values. Take, for example, mountain or sea-shore resorts where the air and water are credited with possessing peculiar properties beneficial to health. In order to enjoy the same, a price must be paid, indirectly it may be, for land or accommodation, but these gifts of nature, nevertheless, are the features giving value to the land.

Economic Articles.—Articles for which a price must be paid may be termed economic. The feature of cost is founded upon their utility and upon the fact that the natural supply is unequal to the demand. As has been seen, a substance ordinarily free may become an economic one under certain conditions. Utility in this application signifies the property of being desired, and would increase in direct proportion to the demand. A distinction exists between utility and usefulness. For example, whisky (as a beverage) and tobacco are not considered among the necessities of life. However, the demand for such substances may be very great. While they are not useful, they are objects of utility.

The quality of utility may be increased by any act which has for its object the modification of the substance so as to render it of more extensive application. For example, a ton of iron ore at the bottom of a mine in the Lake Superior district may constitute a potential asset, but its value while there is absolutely nothing. Countless millions in treasure may exist in the bowels of the earth or at the bottom of the sea, but until such treasure has been secured and made to serve the purpose of men, the visible wealth of the world is not increased thereby.

Problem of Transportation.—Let it be granted that the ton of ore has been brought to the surface of the earth—it acquires a value by the change of approximately two dollars. However, no facilities are located near the mine for smelting the ore, which for this purpose is transported, we will say, to Pittsburg. The nearer it reaches its destination the more valuable it becomes, the increase in price being practically equivalent to the charges for transportation, and at Pittsburg its value may be double what it was at the mouth of the pit. In this particular case one might wonder, in view of the great extent of the Lake Superior ore field, why smelting works were located at such a distance. Several reasons present themselves. In the first place, the Pittsburg works were installed previous to the discovery of ore on Lake Superior. The

erection of an iron plant in the vicinity of the mines would necessitate the transportation of coal, coke, and other material to that plant, in view of which it was deemed preferable to transport the ore to the coal district rather than transport the fuel to the iron district.

Mechanical Aids.—At the present day practically all the work of handling, and in some cases that of mining is performed by mechanical means. In some regions where the ore is at the surface, it is dug by immense steam shovels, which discharge upon cars waiting to carry the ore to the ships. At the wharfs the ore is deposited in storage chambers from which it may be released and run through chutes into the holds of the vessels. At the end of the trip by water the vessels are unloaded by electrically operated grab buckets which descend into the vessel, seize upon five or ten tons at one load, raise it up and out of the vessel, and deposit it upon cars which carry it through the remainder of its journey. With these modern appliances the cost of handling is very much reduced, particularly where large shipments which warrant the introduction of up-to-date machinery are the rule.

On arriving at the seat of manufacture the iron ore which we have mentioned is placed, with limestone and coke, in the blast furnace, where through the action of heat it becomes a molten mass. The iron, being heavier than the melted earth, stones, etc., which form the slag, settles to the bottom, from which it is drawn off, run into molds, and permitted to solidify. The pieces formed in the molds are termed pigs, and the product is known as pig iron.

Factors in Utility and Value.—Every step that operates to change the raw material into the finished product and to bring a substance from its source to the consumer, adds to its value and utility. Iron ore is iron ore even at the bottom of a mine, but it is not worth so much at the bottom as at the top, and it is worth still more when delivered at the smelting works. The process of con-

verting it into pig iron adds again to its value; ingots and billets cost more than pig iron; structural iron and steel are worth still more; the finished product delivered to the consumer has a higher value than at the factory. According to the labor and the transportation cost and the demand for the article, the price increases.

The transportation problem is one of the greatest importance. A great army of men are employed on the railroad and steamship lines of the United States; the facilities of freight and express are constantly being increased to meet the needs of farm and mine and factory; while in response to popular demand, the Government not only established a parcel-post service, but is greatly extending it. Aside from these long-distance carriers, there are many devices for moving materials short distances, as from the pit to a loading platform, or from the dump to the mouth of a furnace, or from one part of a factory to another, cranes, derricks, cableways, and conveyors proving of great value in hastening and cheapening the work. In the navy such devices are employed in transferring coal from the holds of colliers to the bunkers of the men-of-war while at sea. Docks are equipped with similar contrivances to facilitate the transfer of ships' cargoes to freight cars or vice versa. Wherever transportation is especially difficult, the skill of the engineer or the mechanic finds a way out. An instance in point is the case of an old and valuable iron mine in New York which had been worked for years. Eventually the character of the strata became such that the ore could not be profitably mined by the old methods. It was then decided to blast and remove over 300,000 cubic yards of rock, which, when effected, uncovered approximately 1,000,000 tons of ore. The ore was then quarried and conveyed by hoisting devices at but a fraction of the previous cost of operation.

Distributing goods so that they become more convenient to the purchaser has a tendency to enhance the price. The manufacturer sells in large quantities for a certain price to the jobber; the retailer obtains supplies in smaller quantities, but at a higher price, from the

jobber, and in turn supplies the customer with still smaller lots at a still higher price. This general rule applies to articles in all stages of manufacture and to raw materials as well.

The element of time is not without effect on the value of materials. For example, the price of coal is usually raised on the advent of winter, and the price of ice on the approach of summer. Agricultural products immediately after harvest cost less than during the following spring.

Labor and Capital Essential.—To obtain the greatest service from substances supplied for the use of mankind by nature, the labor of man is essential. Man cannot create matter—that can be done by nature alone—but once it is created he is the instrument whereby it may be converted into a variety of forms. He can also transport it from one place to another as desired, or be the agent through whose instrumentality title passes to another.

Another important essential to the performance of any of these actions is capital, but capital may be regarded economically as a secondary consideration, inasmuch as the creation of capital in the first place was the result of man's labors. It may, however, exert a tremendous influence upon production when used judiciously in conjunction with labor.

Manufacturing covers the most important steps in the history of the article from the time when the raw material lay useless and dormant in the earth until its delivery to the ultimate owner and consumer. Manufacturing, however, takes us into another phase of our subject which will be treated separately.

Location of Plant Influenced by Character of Product.—The character of the raw material controls to a certain extent the location of the plant. Where the crude product is converted into a finished commodity in one plant, it is generally more convenient, perhaps absolutely necessary, that the plant should be near the source of supply. Take, for example, sugar-cane. Boiling must be done almost

immediately after the juice is crushed from the cane, otherwise it will become sour and useless.

We have seen that many iron manufacturing plants are situated long distances from the source of the iron ore. It would be preferable to have the ore supply close at hand, but there are other materials required as well as ore, such as limestone and fuel, and in many cases it is more economical to have the plant convenient to the fuel rather than to the ore supply.

Take again, for instance, a substance which is the product of a very hot climate and which requires the application of intense heat in its manufacture. If the plant were located near the source of the supply, it would be practically impossible to obtain workmen capable of enduring the heat of the atmosphere, intensified by that of the furnaces.

Articles preserved by canning, such as fish and perishable fruit, must be so treated shortly after being secured—consequently the canning establishment must be situated as centrally as possible to the various avenues of supply. For a similar reason cheese and butter factories must be in the neighborhood of the milk supply.

The Problem of Labor.—Another factor which enters into the treatment of raw materials is that of skilled labor. Products may be obtained in some remote corner of the globe or in some uncivilized country where intelligent or expert workmen can not be secured. For example, crude rubber, obtained from the trees of South America, is shipped in this condition to northern mills. The item of proximity to markets also enters into consideration here, but without that feature the labor problem would still be sufficient to determine such plant location.

The growing rivalry between Northern and Southern cotton mills furnishes an interesting illustration of the influence of labor coupled with that of markets, and of trunk lines of railroads and steamships. The great cotton mills of New England have owed their supremacy to a combination of these desirable factors. Situated several hundred miles from the nearest cotton fields, they

have yet built up prosperous communities of thrifty mill operatives. A great deal of their raw material comes by boat from Savannah, Charleston, and New Orleans. But in recent years the Southern mills have grown and prospered tremendously. With the advent of more railroads, and the importation or education of a higher class of labor, there is a growing ambition on the part of Southern mill-owners and cotton planters to control the market, both in raw materials and finished product.

By-Products.—The progressive manufacturer often lessens the cost of production by the use he makes of material that remains after any step in the manufacture of an article is completed. Formerly no attention was paid to these by-products, and such material was allowed to go to waste; now nearly everything is turned to account. Sawdust, for instance, of which millions of pounds were produced in the sawing of lumber and dumped into rivers or waste heaps, has now an economic value for many purposes.

The slag from the smelting furnace, another waste article, has been converted into a form of usefulness. By forcing a powerful jet of air through melting slag, a fibrous wooly material is produced, called slag wool or mineral wool, which, being a very poor conductor of heat, is extensively used for filling between the external and internal walls of houses, or in any situation where slow conduction of heat is desirable.

In the meat-packing business a vast quantity of material was formerly disposed of as waste. Now every packing house of any magnitude operates glue and soap factories, utilizing hoofs, horns, fats and scraps of hide; factories for the preparation of the hair of animals for mattresses, upholstering, etc.; brush and novelty factories which turn to account some forms of the bristles and where the horns may be worked into various articles for use or ornament. The familiar boast of the packers is that they get "everything but the squeal."

A large amount of money was formerly lost in cotton-growing in the Southern States. Previous to the year

1870 one of the greatest problems of the planter was the disposition of the cotton seed. Great quantities were annually burned to prevent their being blown about the fields. Finally machines were devised to obtain cotton-seed oil at a reasonable cost and an important industry became established.

Coal tar, one of the most valuable of substances, was formerly considered a waste product. Formed during the distillation of coal in the manufacture of gas and coke, it was permitted to go to waste. The discovery by W. H. Perkins that dye materials could be derived from coal tar gave it a position among useful commodities.

Civilization a Factor.—We have already noted the effect of labor upon raw material. Emphasis may be laid, however, upon the influence exerted upon relative prices of raw material and finished product, by the degree to which civilization and the arts have advanced in any country. Take, for example, a commodity growing in the heart of a primeval forest, far removed from railroads, sawmills, factories, and other evidences of civilization. Suppose that a dweller in this remote region desires to obtain some article of wooden construction. The wood from which this article is made may grow all about him and be had for the taking, but he has not the ability to fashion it to his needs, and must look to some other source of supply. This source undoubtedly will be at a considerable distance, and by the time the article is in his hands it will have a cost and perhaps a high one. And yet the raw material grew at his door in abundance. Its cost was practically nothing, while the cost of the manufactured article was relatively high. Nearer the manufacturing center, on the contrary, the manufactured article could be sold cheaper owing to lower freight or carriage charges, and this despite the fact that the price for raw material delivered there must necessarily be in excess of its cost at the place of production. In a factory or manufacturing district the relative cost of raw material is higher than that of the finished commodity, and lower in the remote district. **The tendency of these prices is to**

equalize as civilization advances, and the relative amount of each may be taken as an indication of the degree to which it has advanced.

Distribution of Natural Products.—The products of nature are widely distributed, and no one country has a monopoly of any of the more important substances. This tends toward a wide distribution of manufacturing industries. Often the things which supplement each other are found not very far apart, almost as if there were some definite plan in the distribution. Both England and the United States owe much of their preeminence in manufacturing to the occurrence of large quantities of iron and coal near together. But all countries do not produce the same articles in the same abundance or under the same conditions. It would, therefore, seem the part of wisdom for each country to devote its energies to the lines in which it excels and to depend upon commerce for the balance of its supplies. But another element is introduced into the problem—that of the tariff.

3. THE TARIFF

The Tariff.—A tariff is a duty, usually on goods coming in from foreign countries, levied for one or both of these purposes: (1) Revenue—to obtain money for the expenses of the government, in which event any article may be taxed to a degree commensurate with the amount of money required; (2) Protection—to secure protection for home industries by taxing those articles which compete with home production. A protective tariff may be so high as to become prohibitive of imports where it is considered wise or necessary to bar foreign competition. The first tariff in the United States was laid for the purpose of revenue; it did, however, act to some extent to protect the beginnings of manufacturing in this country. It has long been the custom to serve both purposes; the enormous revenues necessary for carrying on our great Government have been largely obtained from taxes on goods imported from foreign countries; on the other

hand, industries that would suffer too greatly under unrestricted foreign competition have been protected by high tariff rates.

A country possessing vast quantities of the raw materials necessary for the production of an article, and acquainted with the most modern and improved methods of manufacture, can almost invariably produce, export, and sell this article in a foreign country for a smaller price than the native manufacturer. The presence of cheap labor, low tariffs on raw materials coming to the manufacturer from other countries, low tariffs on finished products in the countries to which he sells, would all tend to bring about the same result. Thus it is easy to see that the tariff must always be a question of great importance in any civilized country. It offers an easy method of raising great sums of money for the government without appearing to burden the people by excessive taxation; and on the fair apportionment of the duties and the free list depends not only the prosperity of many industries, but the cost of living to the people. In a country of such vast and varied interests as the United States, the problem becomes very complex.

Tariff for Protection or Revenue.—England is usually quoted as an example of the rise of great milling interests through a combination of low tariff and cheap labor—thus, cotton bales from Georgia have been shipped thousands of miles across the Atlantic to English mills, manufactured there into cloth, and the cloth returned to the American market at an operating profit, and this in spite of high tariffs placed upon such goods entering the country. The same principle has applied to many other industries where the raw materials are produced in America. One argument in favor of a high protective tariff on all articles that can be manufactured in America is the cheap labor of many foreign countries. The manufacturing nations of Europe usually excel the United States in the various branches of production where expert hand labor is required and where low wages is a determining factor. On the other hand, the United States

excels in many lines of industry where high wages and the extensive use of high-grade machinery are important. It has been the custom, therefore, in the United States, to place high duties upon articles that are also produced or manufactured in the country, permitting such raw materials as are not produced here in sufficient quantities to come in free or with moderate duties. England collects duties for revenue, but her custom has been the reverse of ours—the duties are imposed on articles that do not come into competition with English products.

Present English Tariff.—In this respect England, at the present day, occupies a unique position among the nations of the world. The articles upon which duties are levied are but a small part of the total imports, and embrace only such things as may properly be considered luxuries, while all other articles are admitted free.

The majority of the articles upon which duty is levied are such as must be imported from other countries, particularly those having a tropical climate. This seems to be in accordance with the generally observed rule that duties for “revenue only” should be levied upon such articles as meet with no opposition from home production. If a duty is levied upon an article of foreign production, which is also produced by home industry, the manufacturer reaps the benefit, and not the treasury, owing to the fact that he can derive a greater profit from the sale of his goods, and still undersell his foreign competitor to such an extent as to control the market. The impression seems to be in England that duties interfere with trade, and that anything that interferes with trade is injurious to the best interests of the nation.

Customs Duties.—The term “duty” as used in this connection denotes a certain sum of money levied, either directly or indirectly, by the government of the country upon the people, in the form of a tax upon the importation, exportation, or consumption of merchandise. Thus we have a basis for a three-fold classification of duties

into *Import*, *Export*, and *Excise* duties. The last named come under the head of *Internal Revenue*.

Import Duties.—Import duties are those tariffs which are levied by the government of one country upon articles or products received by that country from foreign ports. For example, goods sent from England to the United States are subject to this class of duty. The revenues of the country are largely derived from import duties.

Export Duties.—The reverse of the import duty is the export duty, a tariff imposed by a government upon goods sent away from its shores. Such taxes are of early origin, and appear to have been assessed upon a merchant in accordance with the value of the property involved in his commercial transaction, but without any consideration as to the character of the transaction itself. With the exception of some British possessions and a few South American nations, not many countries now impose export duties. Sometimes an article is so greatly needed in the country where it is produced that it is considered advisable to discourage its sale to other countries. Occasionally an export duty is retaliatory—imposed to prevent the sale of some classes of goods to some country needing them, but whose own duties are unfavorable. Of course, if any country has a monopoly of a particular class of goods, it can impose an export duty without any particular injury to its own trade.

Internal Revenue.—Excise duties, stamp taxes, income taxes for the Federal Government, all come under the head of internal revenue. Excise taxes are imposed by the Government upon articles both produced and consumed at home. In most cases, these taxes are not imposed upon necessities. Opium, intoxicating liquors, tobacco, playing cards, oleomargarine, butterine, adulterated or renovated butter, filled cheese, and mixed flour are among the things that are thus taxed.

Internal revenue may be collected in the form of a stamp tax, or special duty imposed by the Government

upon any general class of goods, for a specific purpose. An instance in point is the tax upon bank checks and other papers levied by Act of Congress during the Spanish-American War, but revoked shortly thereafter. The tax was collected by the simple device of issuing stamps and requiring that they be attached to all such documents in order to make them valid. A stamp tax is a satisfactory expedient whenever it is necessary to collect a large amount of money in a short time.

The Income Tax, which went into effect as a part of the tariff law of 1913, is discussed in Volume I. It is argued in favor of the income tax that it forces the public to realize the vast sums spent to carry on the Government more clearly than is possible when nearly all the revenue is collected by indirect means, and that in this way all who have to pay the new tax are roused to a sense of responsibility for governmental economy.

Specific and Ad Valorem Duties.—A second classification of duties in general is made, with respect to the manner in which they are levied, into *Specific* duties and *Ad Valorem* duties. A specific duty is one wherein a certain sum is levied upon each pound, yard, or gallon of the material without taking into account any consideration as to its value.

Ad Valorem ("according to value") duties, as the name would imply, are concerned with the value of the article in question, and are levied in the form of a percentage upon such value, as is shown in the invoice which usually accompanies the article, or in the declaration made by the owner.

Besides the simple ad valorem and specific duties, there may be combined duties, in which a fixed charge is levied per unit of weight or measure and also a charge based upon value. In addition, tariff laws may contain composite duties where the rate charged varies according to different values.

Tariff.—The term tariff is applied to the tax levied upon goods, particularly those imported from other coun-

tries, while in a collective sense it is used to denote the list of dutiable articles and the amounts to be levied upon them, as determined by the governing body of the country in question.

Foreign Tariffs.—The duties of foreign countries, like those of the United States, are subject to change. The merchant or manufacturer who is interested in exporting or importing goods may keep in touch with the export and import duties of other countries through the Bureau of Commerce and Labor, Washington, which issues bulletins showing the important changes in foreign tariff laws.

Tariff Laws in the United States.—The original purpose of the tariff in the United States was to supply revenue for the new Government. As we have seen, it served also to protect and encourage the beginning of manufacturing in the young Republic. Tea, cocoa, pepper, spices, wines, liquors and sugar were subject to specific duties, while ad valorem duties were imposed upon other imports. Vessels engaged in foreign trade paid a certain amount, according to their tonnage, toward the revenue of the country, foreign vessels being taxed more heavily than those owned at home. Early tariff rates, compared with those of the last half century, were very low. Previous to the Civil War, the Democratic Party, which was in power, had reduced the duties to a point approaching free trade, but the tariff was still not according to free-trade principles, since articles such as coffee and tea, upon which a duty might logically be levied for revenue, were admitted free. In 1860 an important change took place. Specific duties were substituted for ad valorem, and upon almost every article the rate was increased. As more revenue was required for war expenses, each succeeding session of Congress added to the duties already in force. For instance, the average rate upon all items, which in 1862 was 37.2 per cent, increased during the two following years to 47.8 per cent. At the close of the war, prices and conditions gradually resumed their normal status, without reduction of the war tariff. The country seemed

to approve this schedule and no serious attempt to change it was made until 1883. The reductions made were not great, and affected, for the most part, the raw materials of manufacture. The duties were raised again under the McKinley Bill, to be reduced by the passage of the Wilson bill in Cleveland's second administration. The Wilson Bill was followed by a period of financial depression, which led to the defeat of the Democratic Party and the passage of the Dingley Bill. Still tariff reduction was discussed, and in President Taft's administration the Dingley law was superseded by the Payne-Aldrich tariff, which seemed to be the culmination of the high-tariff laws of the United States rather than a reduction of duties in general. Many other questions entered into the Presidential campaign of 1912, but the election of Woodrow Wilson and a Democratic Congress made it certain that a material reduction in duties would be effected. The Underwood Bill was introduced April 7, 1913, and became a law October 3, 1913. This placed the United States for the first time since the Civil War upon a footing of moderate tariff protection. Where great reductions have been made in the duties upon finished products, an endeavor has been made to compensate manufacturers by giving them free raw materials. One very noticeable change is the substitution of ad valorem duties for the specific, combined and composite duties which have long been more popular. Among the important changes are the schedules on chemicals (Schedule A), agricultural products and provisions (Schedule G), cotton manufactures (Schedule I), wool and woollen manufactures (Schedule K). Besides notable reductions in duty, many important items have been transferred to the free list. On the other hand, there are cases like that of tobacco and tobacco manufactures where the duties remain unchanged. Sugar, an important factor in the production of revenue, was subjected to a reduction, taking effect in March, 1914, with the further provision that it be placed upon the free list at end of three years.

The table that follows is taken from the "World Almanac" of 1914:

NEW TARIFF ACT OF 1913 COMPARED WITH THE TARIFF ACT OF 1909

(The following table covers only the articles of principal importance imported.)

(ad val.—ad valorem; n.s.p.f.—not specially provided for.)

SCHEDULE A—CHEMICALS, OILS, AND PAINTS

ARTICLES	RATES OF DUTY UNDER	
	Law of 1909	New Law of 1913
Acids, n.s.p.f.....	25% ad val.	15% ad val.
Alcoholic compounds, n.s.p.f.....	60c. lb. and 25% ad val.	10c. lb. and 20% ad val. to 40c. lb. and 20% ad val.
Alkalies, alkaloids, and all chemical and medicinal compounds, preparations, mixtures and salts, and combinations thereof	25% ad val.	15% ad val.
Ammonia, carbonate of, and muriate of..	1½c. lb.	¾c. lb.
Coal-tar products, not medicinal and not colors or dyes	Free list	10% ad val.
Drugs	1¼c. lb. and 10% ad val.	10% ad val.
Glue, value not above 10c. per lb.....	2¼c. lb.	1c. lb.
Oil, castor, gals.....	35c. gal.	12c. gal.
Oil, olive in bottles, etc., gals.....	60c. gal.	30c. gal.
Oil, whale, gals.....	8c. gal.	5c. gal.
Opium, crude and not adulterated, containing 9% and over of morphia, lb.....	\$1.50 lb.	\$3 lb.
Paints, colors, pigments, etc.....	30% ad val.	15 to 20% ad val.
Perfumery, cosmetics, containing alcohol.	60c. lb. and 50% ad val.	40c. lb. and 60% ad val.
Perfumery, cosmetics, not containing alcohol	60% ad val.	60% ad val.
Soap, castile and unperfumed toilet soap	1¼c. lb.	10% ad val.
Soap, perfumed toilet.....	50% ad val.	30% ad val.
Soda, bicarbonate of.....	¾c. lb.	¼c. lb.
Sponges, not advanced in value by chemical processes	20% ad val.	10% ad val.
Talcum		15% ad val.

SCHEDULE B—EARTHS, EARTHENWARE, AND GLASSWARE

Cement	8c. 100 lbs.	10% ad val.
Earthenware, porcelain, decorated.....	60% ad val.	40% ad val.
Earthenware, common, not ornamented...	25% ad val.	15% ad val.
Glassware, plain, decorated or cut.....	60% ad val.	45% ad val.
Marble, manufactures of, except for jewelry	50% ad val.	45% ad val.
Spectacles, eyeglasses, opera and field glasses, and frames for same.....	50% ad val.	35% ad val.

SCHEDULE C—METALS AND MANUFACTURES OF

ARTICLES	RATES OF DUTY UNDER	
	Law of 1909	New Law of 1913
Iron, bar, n.s.p.f.....	6-10c. lb.	5% ad val.
Steel, n.s.p.f.....	Graduated rate	15% ad val.
Automobiles, valued at \$2,000 or more, and automobile bodies.....	45% ad val.
Automobiles, valued at less than \$2,000, and automobile chassis and finished parts of automobiles not including tires.....	45% ad val.	30% ad val.
Copper plates, n.s.p.f.....	2½c. lb.	5% ad val.
Pens, metallic, except gold pens.....	12c. gross	8c. gross
Table and kitchen utensils, metal.....	40% ad val.	25% ad val.
Tin plates.....	1 2-10c. lb.	15% ad val.
Pins, not jewelry.....	35% ad val.	20% ad val.
Iron beams, girders, joists.....	Graduated rate	10% ad val.
Cast iron pipe, andirons, plates, stove plates, hollow ware.....	8-10c. lb.	10% ad val.
Aluminum, and alloys of any kind in which it is the chief component, in crude form.....	7c. lb.	2c. lb.
Watch movements and watch cases, clocks and parts thereof.....	Graduated rate	30% ad val.
Zinc in blocks, pigs or sheets.....	Graduated rate	15% ad val.

SCHEDULE D—WOOD AND MANUFACTURES OF

Briar wood and similar wood unmanufactured	15% ad val.	10% ad val.
Paving posts, railroad ties, telephone, trolley, and telegraph poles.....	10% ad val.	10% ad val.
House or cabinet furniture, and manufactures of wood or bark, n.s.p.f.....	35% ad val.	15% ad val.

SCHEDULE E—SUGAR, MOLASSES AND MANUFACTURES OF

Sugars and sirups of cane juice.....	Above 75 degrees polariscope 95-100 of 1c. per lb. and for each additional degree 35-1000 of 1c. per lb.	Not above 75 degrees polariscope 71-100 of 1c. per lb.; for every additional degree 26-1000 of 1c. per lb.
Saccharin	65c. lb.	65c. lb.
Sugar cane in its natural state, or unmanufactured	20% ad val.	15% ad val.
Molasses, not above 40 degrees.....	20% ad val.	15% ad val.
Maple sugar and maple sirup.....	4c. lb.	3c. lb.
Glucose or grape sugar.....	1½c. lb.	1¼c. lb.
Sugar candy, valued more than 15c. per lb.	50% ad val.	25% ad val.
Sugar candy and all confectionery, n.s.p.f., valued at 15c. per lb. or less.....	4c. lb. and 15% ad val.	2c. lb.

SCHEDULE F—TOBACCO AND MANUFACTURES OF

ARTICLES	RATES OF DUTY UNDER	
	Law of 1909	New Law of 1913
Tobacco, wrapper, filler, leaf.....	\$1.85 lb. to \$2.50 lb.	\$1.85 lb. to \$2.50 lb.
Snuff	55c. lb.	55c. lb.
Cigars and cigarettes.....	\$4.50 lb. and 25% ad val.	\$4.50 lb. and 25% ad val.

SCHEDULE G—AGRICULTURAL PRODUCTS AND PROVISIONS

Horses, mules, and all live animals, n.s.p.f.	25% ad val.	10% ad val.
Barley, bushel of 48 lbs.....	30c. bushel	15c. bushel
Barley malt, bushel of 34 lbs.....	45c. bushel	25c. bushel
Oatmeal and rolled oats.....	1c. lb.	30c. 100 lbs.
Oats, bushel.....	15c. bushel	6c. bushel
Rice, cleaned.....	2c. lb.	1c. lb.
Macaroni, vermicelli, and all similar preparations	1½c. lb.	1c. lb.
Butter and substitutes.....	6c. lb.	2½c. lb.
Cheese and substitutes therefor.....	6c. lb.	20% ad val.
Hay	\$4 ton	\$2 ton
Honey	20c. gallon	10c. gallon
Hops	16c. lb.	16c. lb.
Seeds, flax seed, linseed, and other oil seeds, n.s.p.f.....	25c. bushel	20c. bushel
Seeds, castor	25c. bushel	15c. bushel
Fish, except shell fish, packed in oil or in oil and other substances.....	1c. lb.	25% ad val.
Fruits, apples, peaches, quinces, cherries, plums, and pears.....	25c. bushel	10c. bushel
Fruits, preserved, n.s.p.f.....	2c. lb.	1c. lb.
Fruits, oranges, grapefruit, lemons, and limes in bulk.....	1c. lb.	½c. lb.
Pineapples in bulk.....	\$8 per 1,000	\$6 per 1,000
Nuts, all kinds, shelled or unshelled, n.s.p.f.	1c. lb.	1c. lb.
Spices, unground, n.s.p.f.....	Free list	1c. lb.
Chocolate and cocoa unsweetened, prepared or manufactured, n.s.p.f.....	Graduated rate	8% ad val.
Chocolate and cocoa, sweetened, prepared or manufactured, valued at 20c. per pound or less.....	Graduated rate	2c. lb.

SCHEDULE H—SPIRITS, WINES, AND OTHER BEVERAGES

Brandy and other spirits manufactured or distilled from grain or other materials, n.s.p.f.	\$2.60 gallon	\$2.60 gallon
Champagne and all sparkling wines, qts.	\$9.60 per doz.	\$9.60 per doz.
Wines, still, in casks, vermouth, and similar beverages	45c. gallon	45c. to 60c. gal.
Wines, still, in bottles, quarts.....	\$1.85 per doz.	\$1.85 per doz.
Malt liquors, in bottles, jugs, gallons....	45c. gallon	45c. gallon
Mineral waters, in bottles, quarts.....	30c. doz.	20c. doz.

SCHEDULE I—COTTON MANUFACTURES

ARTICLES	RATES OF DUTY UNDER	
	Law of 1909	New Law of 1913
Cotton thread, uncolored, according to numbers	2½c. lb. to 28c. lb.	5 to 25% ad val.
Cotton thread, colored, bleached, according to numbers.....	6c. lb. to 67c. lb.	7½ to 27½% ad val.
Cotton cloth, uncolored, according to numbers	1c. sq. yard to 8c. sq. yard	7½ to 27½% ad val.
Cotton cloth, colored, bleached, according to numbers.....	Graduated rate	10 to 30% ad val.
Cotton handkerchiefs or mufflers, hemmed or hemstitched, n.s.p.f.....	4¼c. sq. yd. and 10% ad val.	30% ad val.
Cotton clothing, ready made.....	50% ad val.	30% ad val.
Cotton hosiery, pairs.....	70c. doz. to \$2 doz. and 15% ad val.	\$1.20 doz. pairs and 30 to 50% ad val.
Cotton shirts, drawers, and all underwear, n.s.p.f.....	60c. doz. & 15% ad val. to \$2.25 doz. & 35% ad val.	30% ad val.
Cotton, plushes, velvets, corduroys.....	9c. sq. yard & 28% ad val. to 12c. sq. yard & 26% ad val.	40% ad val.
Lace manufactures.....	60% ad val.	85 to 45% ad val.

SCHEDULE J—FLAX, HEMP, JUTE, AND MANUFACTURES OF

Flax, hemp or ramie single yarns, finer than 80 lea or number.....	35% ad val.	10% ad val.
Mattings for floors.....	3½c. sq. yard	2½c. sq. yard

SCHEDULE K—WOOL AND MANUFACTURES OF

Combed wool or tops, n.s.p.f.....	Graduated rate	8% ad val.
Yarns	Graduated rate	18% ad val.
Cloths, knit fabrics, felts not woven, and all manufactures of every description, wholly or chiefly of wool, n.s.p.f.....	Graduated rate	35% ad val.
Blankets, n.s.p.f., and flannels.....	Graduated rate	25 to 30% ad val.
Dress goods, women's and children's....	Graduated rate	35% ad val.
Clothing, ready made and wearing apparel of every description, n.s.p.f.....	44c. lb. & 60% ad val.	35% ad val.
Carpets, woven whole for rooms, and rugs	10c. sq. foot & 40% ad val.	50% ad val.
Plushes, velvets and all other pile fabrics, cut or uncut.....	Graduated rate	45% ad val.

PURCHASING AND STORES

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SCHEDULE L—SILK AND SILK GOODS

ARTICLES	RATES OF DUTY UNDER	
	Law of 1909	New Law of 1913
Silk partially manufactured, or spun silk.	35% ad val.	20c. lb. to 35% ad val.
Silk, wearing apparel.....	60% ad val.	50% ad val.
Silk, yarns, threads.....	45c. lb. to 60c. lb.	35 to 60% ad val.
Silk, all manufactures of, n.s.p.f.....	Graduated rate	45% ad val.

SCHEDULE M—PAPERS AND BOOKS

Printing paper, other than paper commercially known as hand-made or machine hand-made, valued above 2½c. per lb., n.s.p.f.....	3-10c. lb. to 8-10c. lb.	12% ad val.
Books of all kinds, bound or unbound pamphlets, engravings, photographs, n.s.p.f.....	25% ad val.	15% ad val.
Paper, manufactures of, n.s.p.f.....	35% ad val.	25% ad val.
Playing cards.....	10c. pack and 20% ad val.	60% ad val.

SCHEDULE N—SUNDRIES

Beads	25% ad val.	35% ad val.
Brushes	40% ad val.	35% ad val.
Bristles	7½c. lb.	7c. lb.
Diamonds and other precious stones, cut but not set.....	10% ad val.	20% ad val.
Feathers and downs.....	20 to 60% ad val.	20 to 60% ad val.
Furs, dressed	20% ad val.	10 to 40% ad val.
Furs, wearing apparel.....	50% ad val.	50% ad val.
Gloves	\$1.25 doz. to \$5.80 doz.	\$1 to \$2.50 doz. pair
Gutta-percha and India rubber, manufactures of, n.s.p.f.....	35% ad val.	10% ad val.
Hair, human, cleaned but not manufactured	20% ad val.	20% ad val.
Leather, manufactures of.....	15% ad val.	30% ad val.
Musical instruments	45% ad val.	35% ad val.
Phonographs, gramophones, graphophones, or parts	45% ad val.	25% ad val.
Pipes and smokers' articles.....	Graduated rate	20 to 50% ad val.
Paintings and statuary, n.s.p.f.....	15% ad val.	15% ad val.
Toys	25% ad val.	35% ad val.
Umbrellas, parasols, sunshades, n.s.p.f....	50% ad val.	35% ad val.

THE FREE LIST

Acids (not provided for under Schedule A).	Albumen, n.s.p.f.	Animals brought into U.
Aconite.	Alcohol, methyl or wood.	S. temporarily or for breeding purposes.
Agates, unmanufactured.	Alpaca, hair of.	Animals, wild.
Agricultural implements.	Ammonia, nitrate and sulphate of.	Anthracite coal.

THE FREE LIST—Continued

Antitoxina.	Cod liver oil.	Gold, silver, copper or other metal coins.
Aromatic (not garden) seeds.	Coffee.	Grains.
Arrowroot, not manufactured.	Coins, gold, silver, and copper.	Granite, n.s.p.f.
Arsenic.	Coke.	Grasses and fibers.
Art, works of.	Composition metal, n.s.p.f.	Guanos, manures and all substances used only in manure.
Articles returned after having been exported.	Copper, in plates, bars, ingots or pigs, n.s.p.f. and ore.	Gunny bags, old and cloth.
Asbestos, unmanufactured.	Copperas.	Gunpowder.
Asphaltum.	Cork, unmanufactured.	Gutta-percha, crude.
Bacon.	Corn and corn-meal.	Hair, n.s.p.f.
Bagging for cotton, etc.	Cotton & cotton bagging.	Hams.
Barbed fence wire.	Cotton gins.	Handle bolts.
Barks, n.s.p.f.	Cotton waste.	Hand sewing needles.
Beans, n.s.p.f.	Cottonseed oil.	Harness, saddles and saddlery, or parts thereof.
Beef, fresh.	Cream.	Harvesters.
Beeswax.	Croton oil.	Hemlock bark, extract of.
Belting leather.	Curry.	Hemp, n.s.p.f.
Benzine.	Darning needles.	Herbs, used as drugs, n.s.p.f.
Berries, n.s.p.f.	Drawings.	Hides.
Bibles.	Drugs, not advanced.	Hones and whetstones.
Birds.	Dyeing and tanning materials.	Hoop iron or steel, coated or not coated with paint.
Bismuth.	Dyewoods, n.s.p.f.	Hoops, iron or steel, cut to lengths.
Bituminous coal.	Engravings, n.s.p.f.	Horns and parts of.
Blankets, n.s.p.f.	Etchings, n.s.p.f.	Horseshair.
Books for the blind and for religious, philosophical, scientific or literary purposes, persons or families from foreign countries, professional.	Evergreen seedlings.	Horseshoe nails.
Boots.	Explosive substances.	Horseshoes.
Borax, crude.	Extracts, n.s.p.f.	Household effects.
Brass.	Fans, common palm leaf.	Ice.
Brimstone.	Fats and grease.	India rubber, crude.
Briquets.	Fencing, barbed and galvanized wire.	Indigo.
Bristles, crude.	Ferromanganese.	Ingots.
Broom corn.	Fibers and grasses.	Instruments, philosophical and scientific.
Buckwheat.	Films, moving picture.	Inventions, models of.
Bullion, gold or silver.	Flat rails, iron or steel.	Iodine, crude and resublimed.
Burlaps.	Flax.	Ipecac.
Cabinet woods, unmanufactured.	Flint, flints and flint stones unground.	Iron ore.
Calcium, n.s.p.f.	Flocks.	Iron or steel bands, cut to lengths and manufactures of.
Camel's hair.	Flower and grass seeds, n.s.p.f.	Iron or steel billets.
Carbolic acid.	Fossils.	Iron or steel nails, rails and scrap.
Cash registers.	Fowls.	Jute.
Cast-iron pipe.	Fruit plants, for purpose of propagation or cultivation.	Kerosene.
Cattle.	Fruits or berries, n.s.p.f.	Kindling wood.
Cement.	Fulminates.	Lamb and lambskin.
Chalk, crude.	Furniture of persons or families from foreign countries.	Land fowls.
Charts, n.s.p.f.	Furs, undressed.	Lard.
Citizens of U. S. dying in foreign countries, personal effects of.	Galvanized wire.	Laths.
Clapboards.	Gasoline.	Leather, boots and shoes, harness, rough, saddles and saddlery, shoe laces, sole, uppers, vamps.
Coal.	Glass, plates or disks.	
Cobalt.	Glaziers' diamonds.	
Cocoa, n.s.p.f.	Gloves, leather, n.s.p.f.	
Coconuts in the shell.	Glue, stock.	
Cocoons, silk.	Goat skins.	
	Gold, bullion, medals, ore and sweepings.	

THE FREE LIST—Continued

Leaves used as drugs, n.s.p.f.	Oil cake.	Saddlery.
Leeches.	Oils not provided for in list under Schedule A.	Safety lamps.
Lemon and lime juice.	Orange juice, peel, not preserved, candied or dried.	Sago.
Lemon peel, not preserved.	Ore, cobalt, copper, emery, gold, iron, manganese, manganiferous iron, nickel, silver, tin, tungsten bearing.	Salt.
Libraries.	Paper, printing, n.s.p.f., stock, crude.	Saltpeter, crude.
Lifeboats and life-saving apparatus.	Paraffin and paraffin oil.	Scientific apparatus.
Linotype machines.	Parchment.	Seeds, all flower and grass, n.s.p.f.
Lithographic stones not engraved.	Paris green.	Sewing machines.
Loadstones.	Pearl, mother of, and pearl shells.	Sheep.
Logs.	Pebbles, Brazilian.	Shellfish and shells.
Loops, iron.	Periodicals and newspapers issued within six months of time of entry.	Shingles.
Lubricating oils, n.s.p.f.	Personal effects.	Shoddy.
Lumber, planed or finished, n.s.p.f.	Petroleum.	Shoes, leather.
Machines, for spreading tar and oil and for sugar making, linotype, sewing, threshing, typesetting.	Phosphates, crude.	Silk, raw.
Magnesite, crude or calcined.	Phosphorus.	Silver bullion, coins, medals, ore, sweepings.
Maize.	Photographic and moving picture films not exposed or developed.	Sisal grass.
Manganese, oxide and ore of.	Pigs, copper, iron.	Skins, undressed.
Manila.	Pipe, cast-iron.	Soda, arsenate, ash, cyanide, nitrate, silicate, sulphate.
Manures.	Plants, fruits, tropical and semitropical, for propagation or cultivation.	Sole leather.
Manuscripts.	Plates, copper, glass.	Specimens, botany and mineralogy and natural history not for sale.
Maps, n.s.p.f.	Platinum, unmanufactured.	Spermaceti oil.
Marroons.	Plows.	Spikes.
Marrow.	Plumbago.	Spirits, turpentine.
Marshmallow.	Pork.	Sprigs, cut.
Meal, corn.	Potash, carbonate, crude, cyanide, sulphate.	Stamps, foreign.
Meats.	Potassium, cyanide of.	Statuary.
Medals of gold, silver or copper.	Potatoes.	Staves.
Metal composition, n.s.p.f.	Printing paper.	Steel, scrap.
Milk, preserved or condensed, etc.	Prizes.	Stone.
Mineral salts.	Prussic acid.	Strychnine.
Minerals, crude.	Pulp woods.	Sugar-beet seed.
Models of inventions.	Quinine.	Sulphate of ammonia, copper, iron, potash, soda.
Moss, n.s.p.f.	Radium.	Sulphur.
Mowers.	Rags, n.s.p.f.	Sulphuric acid.
Music for the blind.	Rails, flat, iron or steel.	Sumac, ground.
Mustard seed.	Railway bars, iron or steel.	Swine.
Mutton.	Rapeseed.	T-rails, iron or steel.
Nails.	Rattan.	Tacks, cut.
Naphtha.	Reapers.	Talcum, crude, n.s.p.f.
Needles, hand sewing and darning.	Reeds, unmanufactured.	Tallow.
Newspapers and periodicals issued within six months of time of entry.	Regalia and gems, statuary and casts of sculpture.	Tanning material.
Nickel ore.	Roots, n.s.p.f.	Tapioca.
Nitrate of potash or saltpeter, crude and soda.	Rye and rye flour.	Tar and pitch wood.
Nut oil.		Tea.
Nux vomica.		Threshing machines.
Oakum.		Timber.
		Tin, except plates.
		Tobacco stems.
		Trophies.
		Turpentine.
		Twine.
		Type, old.
		Typesetting machines.
		Typewriters.
		Vaccine virus.
		Veal.
		Vegetable substances.
		Vellum.

THE FREE LIST—*Continued*

Verdigris.	Whalebone, unmanufac-	Wood alcohol.
Vitriol, blue.	tured.	Wood pulp.
Wagons and carts.	Whale oil, n.s.p.f.	Wool, n.s.p.f.
Waste.	Wheat, n.s.p.f.	Works of art.
Water fowls.	Whetstones.	Wrought and cast iron.
Wax, n.s.p.f.	Wild animals.	Wrought iron or steel
Wearing apparel.	Wire, barbed fence, gal-	nails, n.s.p.f.
Weeds and wood used as	vanized, nails, staples.	Yarn, Angora goat hair,
drugs, n.s.p.f.	Wood, n.s.p.f.	alpaca hair, etc., waste.

Notable Features of the New Tariff.—The Underwood-Simmons tariff is in many ways a revolution in the protective policy of the United States, and a return to the moderate duties that preceded the Civil War. The free list has been greatly increased, especially as regards food-stuffs and the raw materials for manufactures. Some duties remain at the old figures. It has been estimated, however, that if attention be concentrated on those things that are necessities to the average citizen, there seems to be a reduction from an average of about 32 per cent to an average of about 21 per cent. The new law contains also the important feature of the Income Tax, an outgrowth, perhaps, of the Corporation Tax law which went into effect in 1909. Another feature is the abandoning of the maximum schedule, a provision of the preceding tariff law whereby 25 per cent ad valorem higher than the regular rates might be applied to the goods of countries whose tariff laws were unfavorable to the United States.

A clause in the customs administrative act establishes a protest fee, in the belief that this may reduce the number of appeals from decisions of the appraising officers; and another clause forbids brokers and attorneys to charge contingent fees in customs cases.

4. STOCK DEPARTMENT

Closely allied with the purchasing department of a business is the stock department or storeroom. A careful and systematic handling of the supplies has a very important bearing on business success. An exact record must be taken of the stock in trade, supplies and property of all sorts, according to the character of the business.

Need of System.—The purchasing agent is responsible for keeping the stock of supplies up to the requirements. He must inform himself regarding all supplies that are received or delivered, be aware of their condition and location, and when any line is running short he must see that it is replenished. To perform the actual physical work necessary in the storeroom, he may employ a stock clerk with any number of assistants, or in a small concern the receiving clerk may perform such duties. But the person or persons in charge of the storeroom must see that the supplies are properly distributed, and be capable of keeping necessary records, in order to keep the purchasing agent thoroughly conversant with the conditions regarding the stock, and the amount of each article or material on hand.

The Inventory.—The initial step to be taken when systematizing this department is the preparation of an inventory. If a record is made of everything on hand, to which is added all supplies subsequently received, and from which everything used is deducted, it amounts to a perpetual inventory. This should be checked occasionally with the stock on hand, either in its entirety, or any variety of goods may be checked up at a given time.

An inventory to be of any value should be complete, regardless of the labor necessary to make it so. Formerly in large manufacturing plants it was necessary to shut down for a period of from two or three days to two or three weeks in order to do this. As a consequence, an inventory was seldom taken more frequently than once a year, and very often a longer period elapsed. When a proper method of taking inventory is employed, there should be no necessity for shutting down a plant for more than a day or two, if at all. Before beginning, those entrusted with the duty should have a clear conception of the work to be done, and every possible condition should be anticipated and provided for in advance. For a few days previous, every foreman or head of a department should inaugurate a cleaning-up and sorting régime. This need not interfere with regular work and

contributes greatly toward facilitating subsequent operations. On the day appointed the work begins rapidly and systematically over the entire plant.

Cards of different colors may be employed, upon which are set down full particulars about the various articles. Among the points mentioned will be the character and location of the article in question, where obtained, and at what cost. If it is an article of machinery, any additions, repairs and cost of same are noted. Its depreciation and probable life are estimated, and finally its net value.

Records of Machinery.—When machinery is installed, all the information possible to obtain about the maker, number or designation of its parts, etc., should be recorded. Then if any accident occurs, the makers of the machine are known. Only by keeping record of the time machines are in operation, the amounts expended upon them for repairs, and other information of a similar nature, can any reasonably accurate record be made. In estimating the value of small articles made on the premises the cost of the material and labor must be taken into consideration. It is also well to note upon the record card, when and for what purpose they were made, together with the statement of their actual value.

Articles such as drawings and patterns are somewhat difficult to estimate. Their cost of production has but little bearing upon their commercial value. Expensive models and patterns, although in perfect condition, may pass out of fashion or become obsolete and thus lose their value. In consequence, the apparent value of articles of this description must be reduced to a considerable degree for purposes of an accurate or permanent inventory.

Materials and supplies may embrace a great many articles which should be classed under specific heads. It is generally sufficient to note the amount and character of the material, for what purpose it was obtained, and its value. The completed cards form a detailed record of the stock on hand. (See *Inventories*.)

Storage System, How Installed.—When installing a storage system in the beginning, the first essential is to provide a suitable room or building for the purpose. It is desirable to have the supplies as near to where they are used as possible, and in many cases it is advisable to have a separate storeroom for certain materials in connection with each department. In a trading business the stock-room is usually divided into a number of departments having a manager in each. The storeroom should be fitted with shelves, racks, bins, or whatever means is most convenient and suitable for the different materials. Common sense should be used in the disposition of the various articles. For instance, it is better to place comparatively heavy articles on benches about the height of a truck rather than on the floor, and thus avoid waste of time and strength. Articles which are much in demand should be within easy reach, while anything for which there is but little call may be placed in more out of the way places. However, a rule which must be observed is that everything should be put in the place assigned to it, and nothing should be deposited in the storeroom, or removed, without the knowledge of the stock man or the person who is in charge of the department.

All supplies as they are received must first pass through the receiving department, where full particulars of the same are recorded. When a consignment of goods is presented to the receiving clerk, he consults his copy of the purchase order which was received from the purchasing department at the time the order was placed. If the items of consignment agree with those on the order, he is at liberty to receipt for the goods and have them passed along to the storeroom. If he finds no purchase order in the file for such goods, he has no authority to receive them at all, and what he should refuse is frequently of more importance than what he should receive. Sometimes, subsequently to the placing of an order, circumstances may arise which render it inadvisable to have further dealings with a concern from whom goods were ordered. Under such conditions the receiving clerk must

be notified to this effect, for if the goods are presented and accepted, his firm may be held for payment.

Returned Goods.—Sometimes goods previously sold may be returned by the buyer. If the house has been notified, they may instruct their receiving clerk whether to receive or reject them when presented. A safe rule for a receiving clerk to observe is to accept nothing without instructions to that effect from some one in authority.

In the instalment business, a contract is usually drawn up whereby the buyer agrees to pay for certain goods in a number of periodical payments. Some time later the purchaser, in order to get out of the keeping and paying for the goods, may return them. In such an event, if the receiving clerk accepts them, the contract becomes of no avail.

Routine Business.—In the regular routine of business, however, when no irregularities are present, the purchase order held by the receiving clerk is checked, or a receiving slip is made out, and the one or the other, according to the plan in use, is sent to the purchasing department. When the goods are delivered on a requisition to any department, a receipt must be taken on their delivery, and in cases where the goods are delivered by the manufacturer directly to the department for which they were ordered, a receipt for the same should be sent back to the store clerk to complete his records. Upon the store clerk devolves the responsibility of keeping the stock in order and recording all orders upon the stock, specifying for whom or what it was delivered. Here a cast-iron rule is that nothing should be permitted to pass out of his hands without a written order from some one in authority. Requisitions are often written on sheets of different colors to distinguish more easily between those coming from different departments. They are usually made in duplicate, the original sheet to the store clerk and the copy held by the department until the goods are delivered, when both are sent to the cost department, one serving as a check on the other.

Sometimes a third copy is made, which remains in the hands of the store clerk. A customary form of requisition blank has provision for stating the number or name of the department, the date, the amount and description of the goods, for what job the goods are required, and a serial number, and is signed usually by the foreman. There are also columns for filling in the prices of the goods, which is done in the cost department, and a place where the time and to whom the goods were delivered may be noted. In conducting a tool-room, various methods have been employed for recording tools given out to workmen. The practise requiring men to sign receipts for tools is not to be recommended in view of the time wasted by this method. A better plan involves the use of checks which may be exchanged for tools, and entered upon books numbered according to the number of workmen. The method may be modified to show exactly what each workman has received, and requires but very little time. Some kinds of stores ought only to be given out on the return of the old stores, such as files and brushes, and an excellent check is thus provided.

Recording Supplies.—For recording supplies under his control, the stock clerk should be provided with a sufficient variety of blank forms to make possible a somewhat extended classification. It is usually sufficient to state upon these forms the date and quantity of material received, the date and quantity delivered, and the number of the requisition. When an inventory is taken the difference may be set down as stock on hand. The name, character, and uses of each article are also essential, and the maximum and minimum quantity that should be on hand. When the minimum limit is reached, it is the stock clerk's duty to notify the purchasing agent to that effect, in order that the supply may be increased. As frequently happens, a foreman in preparing his requisition may order more material than is actually used. The excess is then returned to the storeroom, and the cost of the balance is deducted from the department and job against which it had been charged when the goods were obtained.

If it so happens that the balance of the material can be used on another job, due credit must be given to the first, and the proper amount charged up against the second.

Importance of Accurate Records.—In conclusion it may be said that without the installation of a system of records in the storeroom, a cost department in connection with any business is without avail. In addition to this an exact knowledge of the stock on hand may be obtained at any time. In a trading business the slow selling materials are thus discovered, and efforts made to push the sale of the same. Dead stock is also prevented from piling up, and the stocks which sell rapidly may be obtained systematically so as to keep a sufficient supply on hand without tying up capital that may be used to better advantage. There is no reason why the records of the storeroom should not be worthy of as much solicitude as the cash-book. A dollar is a dollar whether in form of currency or goods, and a stores system, to be of any value, must run with the same degree of accuracy as is exercised in the accounting department.

5. INVENTORIES

Stock-taking denotes the various processes involved in securing an accurate and detailed list of all the articles, stores, or materials in the possession of a firm. When the prices of the various articles are filled in, the list, or "inventory" as it is termed, becomes an important feature in the accounting records of the concern.

Object of Inventory.—In former years a determination of the value of the materials on hand was the sole object of an inventory, but such has long since ceased to be the case. Fire insurance companies demand information from the owner regarding the value of stock upon which they write a policy, although the estimate of their official appraiser is also given due consideration. It is likewise essential that an inventory be taken every time a report on the financial condition of a concern is desired,

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as without the same no accurate statement of profits and losses can be obtained.

Importance of Accuracy.—The importance of an accurate inventory can not be overestimated.

In a great many cases, the work of taking stock is looked upon, both by those in authority and the employees under them, as an unmitigated nuisance. However, as it has become more or less of a habit to dig into dusty bins and out-of-the-way corners of the plant about once a year, the process is gone through when the appointed time arrives. Articles are counted, perhaps accurately, perhaps not. The person doing the counting feels sure that no one will follow him up for mistakes, and merely expends sufficient time on the operation to relieve himself from the suspicion of guesswork, although one clerk, more conscientious than another, may use his best endeavors to arrive at accurate results in the work assigned him. The entering of the prices, perhaps at the hands of another corps of clerks, furnishes another source of error. One may enter the market price, another the cost price, while on machinery, fixtures, etc., no one knows what amount to enter. Such a thing as the systematic reduction of the value ascribed to an article from year to year, as an allowance for the depreciation it has undergone in service, is a thing unknown. (See *Depreciation*, in this volume.)

The original bill may be obtained and an estimate formed, but the succeeding inventory may be in the hands of others, and at the end of another year's service an even greater value may be assigned to that particular machine. Scores of instances might be given of carelessness in the work of stock-taking, but such as have been stated are sufficient to show the laxity that frequently prevails.

An inventory taken in the fashion described is useless; in fact, it is worse than useless as the time expended might have been employed to better advantage. No useful purpose has been served, no information obtained, and this is the reason that there are hundreds of concerns

which have never taken an actual inventory during their existence. Why this should be so in cases where an accurate inventory is obtainable is difficult to understand.

Need of Exact Inventories.—A person would not place a sum of money in the cash drawer without taking proper precaution for its protection, and while his employees may have the authority to spend the money in the interests of the business, the owner will most assuredly insist upon knowing the particulars of the expenditures. On the other hand, how often is it the case that once the actual cash is expended in purchasing materials, the owner's interest apparently disappears? In the cash account everything must be right to the penny, but in the stock-room materials may be wasted, lost or stolen, without exciting any great degree of concern.

This lamentable state of affairs, however, is rapidly disappearing. Business people have begun to realize that in order to keep in the race, advantage must be taken of every opportunity to improve their financial standing, while with the same object in view, all leaks must be ferreted out and stopped. To install a thoroughgoing system, where looseness has been the rule, is a move not without its difficulties, but it may be effected with but a slight degree of friction if the one engineering the change employs a moderate amount of tact and diplomacy.

Preparations for Stock-taking.—A map of the building or buildings upon which is indicated the location of the various departments is of incalculable value in beginning the work of stock-taking. The floor space occupied by each department is also shown, and thus the location of each class of items in the building is clearly indicated, as well as the department to which it belongs.

All articles of a more or less fixed or stationary nature are supplied with a number. This would mean such articles as engines, boilers, dynamos, or machines in the factory; and desks, chairs, tables or typewriters about the office.

Assigning a number to articles of the above description

serves several important purposes. It serves as a means of identification, so that a permanent record of each individual article may be kept from year to year, upon cards designed for the purpose.

Card-Record Items.—In case of fire, a reference to the cards will reveal exactly what items are missing. All such articles are recorded with the cost price and the estimated depreciation of the article. The cards for this purpose have provisions for showing the name of the article, the serial number of the manufacturer, and the identification number of the owner. The size, or other descriptive feature is entered—from whom and where it was obtained, and at what price, including the purchase price, and the cost of transportation and installation. The life of the article is estimated, and spaces provided for noting the same, and the percentage that is to be deducted each year from the value ascribed the previous year. All these points can be written up when the article is obtained; then, in spaces for the purpose, are noted: the year and date of the inventory, the building, section and department where the article or machine is located, and remarks as to any improvements or expenditures for repairs; also an amount is written off for depreciation, and finally the net value of the article is estimated at the time the inventory is taken.

Cards Constitute a Perpetual Inventory.—The card is of sufficient depth to allow consecutive entries for a number of years, and will show not only all changes in location, but all repairs or changes that have been made in the article itself, with the consequent change in value. In short, each card constitutes a complete history of the article, and when every building, every machine, and every piece of furniture or other article of a like character is recorded in this manner, the cards virtually form a perpetual inventory of such articles, provided that everything which affects the article is recorded right up to date. An inventory of this description is of the utmost importance, in case it is ever desired to sell the business,

especially if it has been continued for several years, in which case the values would seldom, if ever, be disputed by a prospective buyer.

Classification of Articles.—The next step in preparation for taking stock is to decide upon some convenient classification of the various items. A detailed classification is essential for the satisfactory operation of the stores department, but these classes should be such as may be grouped under a few comprehensive heads, the totals of which enter into the controlling accounts.

A classification of the property of a manufacturing concern, devised by an authority, is as follows:

First class.—All the real estate owned by the company. This includes not only the land upon which the buildings are placed but all that is owned by the concern, and used in connection with the plant proper, for warehouses, stores, etc. A separate card is made out for each building to which is assigned a distinguishing number, and a complete description of each building should be written on the card in the manner already described.

Second class.—All the furniture and fittings required for use in the offices of the concern. Under this head would be placed, desks, chairs, tables, typewriters, calculating machines, etc., but a distinction must be drawn between fixtures for office use, and those of a similar character used in the shop. In the one case, the cost of their use represents a commercial expense, and in the other a manufacturing expense.

Third class.—All equipment that is of the nature of tools or machinery. This class embraces the different elements employed in the power plant, such as boilers, engines, dynamos, pumps, and the various machines, such as lathes, drill presses, shapers, milling machines, etc. Belts, shafting, tackles, etc., are also included. A point which should not be lost sight of is that a machine not in use is not to be included in the above class. By that is meant, that a machine purchased and in the storeroom must be considered as stores until it has actually been installed and is in use.

Fourth class.—Shop fittings and fixtures, such as desks, chairs, lockers, benches, trucks, racks, and anything that can not properly be classed as a large machine or working tool.

Fifth class.—Smaller miscellaneous articles and tools of daily use, such as hammers, files, chisels, drills, tongs, etc. There is always a large number of articles of this description in a manufacturing plant.

Sixth class.—All patterns owned by the concern. Drawings may be placed in a class by themselves. Patterns and drawings are among the articles with which the greatest difficulty is encountered in assigning a proper valuation. Many of these articles become obsolete and are worthless, and as it is comparatively difficult to foretell the changes that may occur in styles from season to season, it is considered advisable to place a very moderate value on all patterns and drawings, except those which are standard and have stood the test of time.

Mercantile Business.—A similar classification can easily be arrived at for a wholesale or retail business, and the succeeding steps would be the same. Suppose, for example, it were a wholesale grocery. The general classes would include: (1) bulk goods, such as coffees, teas, spices, and sugars; (2) case goods, such as breakfast foods, starches, etc.; (3) canned goods, such as preserves and food products; (4) liquid goods, such as sirups and flavoring extracts; (5) miscellanies, etc., etc. Further classification would be made to suit the lines of business; and each general class would in turn be subdivided.

Preliminary Instructions.—In order that the work of stock-taking, once begun, may progress smoothly and rapidly, every one engaged must have a proper understanding of his duties. For this purpose, those having the work in charge should thoroughly instruct their subordinates previous to the time the work is to begin. With regard to incoming supplies, those which have not been received at the date of stock-taking, even if the invoice for same has been received, must be left out; al-

though goods received, but unloaded or unopened, may be included and inventoried from the invoice.

Upon the receipt of instructions, each foreman should endeavor to put all the stock and equipment in his care into such shape as will be most convenient to count, while the superintendent should endeavor to get all jobs completed if possible before the work of stock-taking begins. All old stock and scrap should be gotten rid of if possible, but if any remains, it must be clearly described in the inventory. In the same way, special notice should be paid to unsalable or damaged articles, and articles or materials which are not in their appointed place should be returned to where they belong.

First Step in Stock-taking.—When the day for stock-taking arrives a corps of clerks distributes tags through the various departments. On these tags, which are made and numbered in duplicate, provision is made for entering the date, the shelf or bin, section or department and building where the material or article is located. In a manufacturing business, if the item is such as may be classed as finished stores or work in progress, details of the same are given, particularly the last operation to which the article has been subjected, which is essential in computing the value of the article. On another portion of the card is provision for details concerning general stores or equipment.

These cards are placed on every machine, and on every rack and every bin, where any material is kept.

Second Step.—Then other clerks follow; the stock is weighed, counted and measured, and the result entered upon these cards. The foreman of the department should superintend the weighing, counting and recording of the items, and as in many cases the foremen are in position to be better acquainted with the prices of many miscellaneous articles than any others, it would be well for them to note the same upon the cards. After the stock has been weighed or counted, none should be removed until the tag has been **taken away**. Cards used in stock-

taking in a trading business, after the contents of a bin or shelf has been counted and entered thereon, have a column in which are noted any articles removed to supply the demands of a customer during the day. Then the difference between the amount when counted and that which has been removed is the figure incorporated in the inventory.

Conditions differ in a manufacturing plant, and there is much less liability of confusion if no changes or abstractions are made after the inventory has begun. Even if an article is found in a department to which it does not belong, it should be inventoried where it is located. When the tags are written up, both original and duplicate, the duplicate is attached to the article or material and the original retained by the clerk.

Estimating Weights or Accounts.—Where stock can not be counted or weighed, the number or weight must be estimated. This should be done with the permission and in the presence of one of the higher officials. That the result was estimated rather than calculated should be noted, and the card signed by the official. Before any tags are removed, the foreman should ascertain for a certainty that no article has been overlooked. If such is the case, and everything has been recorded, the tags are removed and passed into the office, a note being made of the last numbered tag used in each room. Any unused tags must also be returned, in order to get a complete check.

Recording and Classifying Results.—When this part of the work has been completed, the next process is to ascertain and record the prices of the stock and equipment. The inventory tags should be classified so that all articles of a similar character may be placed under one head. A classification of the various articles required in the work of manufacturing has already been given. In taking up the materials consumed in construction we find several divisions. Under the head "General Stores" is included all materials required for the manufacture of goods, or

office or factory supplies, such as stationery, waste, oils, etc. Repair parts for machinery and small tools are classed under the same head, and also complete machines which have not been installed in the factory and are not yet in use.

Under a second head is placed what we will term "Work in Progress." An inventory of work in progress will include all material delivered by the storeroom to be used according to some certain order or orders. If the material has passed through one or more processes, the final one must be noted in order to calculate the value of the labor expended upon it.

In the third class is placed semifinished stores. Some authorities believe in placing semifinished stores under the head of Work in Progress, but inasmuch as they are completed so far as the order for their production is concerned, it is considered preferable to place them in a class by themselves. Semifinished stores refers to such articles as may be made up, a number at a time, and placed in stock until an order is given for the construction or assembling of that article of which they are an integral part.

The fourth class covers all articles known as finished stores, and includes such articles as are made by the factory and sold without undergoing any further process of manufacturing.

A fifth class, merchandise stores, embraces such articles as are bought for the purpose of selling again, and consists of articles such as lubricants, acids or chemicals, gloves, or tool-kits, etc. These five classes cover everything, so far as opening controlling accounts in the private ledger is concerned, but for purposes of store-keeping, each must be subdivided a number of times.

Ascribing Values.—Let us now turn to the valuation aspect of an inventory. It is a fundamental fact that a profit can be derived only by the sale or exchange of one article for another. That which is received may be cash in such an amount as will equal the cost of production of the article given, together with such an amount as may produce the profit desired. **If anything other than**

cash is received in exchange, it must be something which can be converted into cash of the proper amount.

Accuracy in Valuation.—An inventory to be of any value, as has already been stated, must be accurate, not only in the actual counting but in the values ascribed to the various articles as well. Not infrequently when the owner of a business is desirous of selling out, he is liable to overestimate the value of his stock. Suppose he enters up the full market price of the stock on hand. The purchaser upon such terms can certainly expect to make no profit on the stock he has bought, and will be extremely fortunate if he disposes of it without suffering a loss. On the other hand, the cost price will not allow the seller any chance for profit. The only proper valuation to place on goods under such conditions is a fixed percentage over and above the cost price, and by goods is meant all raw materials, and all wholly or partially manufactured products that are on hand.

This valuation exactly balances all charges for materials, labor, and various expenses. According to market conditions, the cost price may be either greater or less than the market price, but it is not considered advisable to make changes in the valuation in the effort to reach an agreement with market conditions. If, for any reason, the market price is less than the cost of production, the valuation should be left as it stands, but a certain reserve account set up to provide against possible loss on this account. If the market price is higher than cost, it is still wiser to leave the cost figures as they actually are.

It is unsafe to take advantage of a profit on paper until the article is actually sold and the payment therefor received. The force of the above is seen when it is considered that for some reason or other the article might never be sold, and crediting oneself with the profit would be like counting the proverbial chickens before they are hatched. Even if the article were eventually sold, the market price might decrease in the meantime, and what was considered to be an asset might be found to have no existence.

Changes in Methods of Stock-taking.—Stock-taking methods have undergone radical changes in recent years. The day when a large plant had to be shut down from two or three days to as many weeks every year is gone. The desire of directors and stockholders for information as to the condition of affairs at shorter intervals than a year is largely responsible for the modern methods that have been introduced. At present, monthly reports rather than yearly are the rule, and to be in a position to issue the same has required the introduction of many changes, since it would be manifestly out of the question to shut down two or three days in every month.

In order approximately to ascertain the value of stock on hand with a reasonable degree of accuracy, continuous records must be kept.

Records of materials, partially completed products, and completed products are necessary each month to show just how matters stand in regard to the quantity and quality of each class of material on hand.

Information is based on the amounts received, and the amounts used, the difference of which would indicate the amount on hand. Then the record of workmen's time makes it possible to charge each production with the proper amount. When all these items are compiled, they should balance with the stock as entered upon the principal books of record.

The cost and quantity of materials purchased can be obtained from the original bills, and should be charged against the respective store account. The amount of the materials and time used is obtained from the production records for each product.

The objection is sometimes made that, where records are made of so many small accounts, sometimes by comparatively illiterate workmen, many mistakes are liable to occur; but as such mistakes have a tendency to average up, very little trouble is experienced that can be traced to such a source.

Reports are issued monthly, and no loss is experienced through having to shut down to take such an inventory. Such records have even proved sufficiently accurate in

their showing of profits to warrant the payment of dividends.

An effective check on both the storeroom and the book record can be had by taking a physical inventory of stock, etc., throughout the year. This should be made as to quantity only, a part of the inventory being made each month and arranged so as to cover the entire plant in the course of a year. This plan requires only a very little of the storekeeper's time, and the results, compared with the book records, provide a check on the material in his care, and also verify the accuracy of the stores accounts.

Cards and Forms.—Reference has been made to the inventory tags and the various forms upon which a record is kept of the stock and the equipment of a concern. The headings and rulings of these forms are somewhat arbitrary, and depend largely upon the character of the business for which they are used. They may be obtained from any manufacturing stationer, in stock varieties, although many concerns prefer to have cards made to order from designs of their own selection. Cards for recording different classes of materials are usually printed upon paper of different colors, each class of material having its particular color. The advantage of such a color system is at once apparent.

III

PRODUCING COSTS

1. THEORY OF COSTS

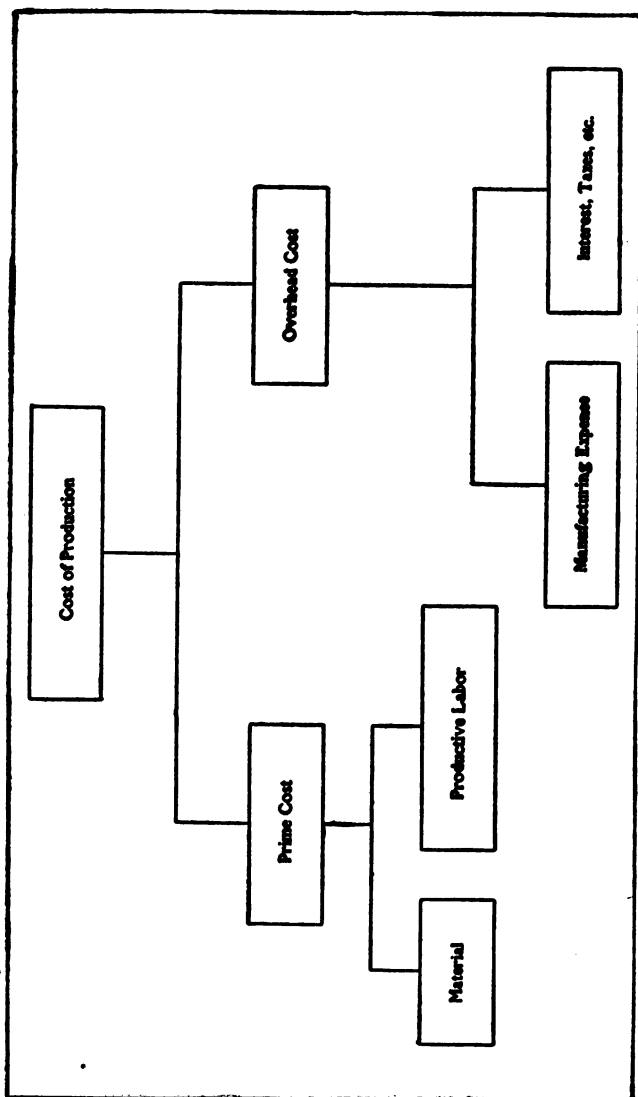
Definition—Objects—Essentials of Proper Cost-keeping—Relation of Cost to Financial Accounts—Adoption of a Cost System—Class of Product a Factor—No General System Possible.

2. ANALYSIS OF COSTS

Three Elements: 1. *Material Costs*—Stores—Continuous Inventories. 2. *Labor Costs*—Wage Systems—Time Records—Analysis of Pay-roll. 3. *Operating Expenses*—Various Terms Used—Bases of Distribution—Difficulties in Above Methods—The Machine Rate: (1) Space Cost—(2) Machine Cost—(3) Machine-use Cost—(4) Power Cost—Machine Total Cost—Idle Time.

3. COST RECORDS

Order Systems—The Cost Clerk—Importance of Exactness—Installation of a Cost System—Method of Working—First Steps Necessary—Withdrawals—Requisition—Summary Sheet of Materials Consumed—Time Reports—Daily Time Report—Labor Distribution Sheet—Incidental Expense Reports—Summary of Materials Consumed—Distribution Sheet of Manufacturing Expenses—Closing of Completed Order Numbers—Summary Sheet of Order Numbers Completed—The Main and Auxiliary Ledgers—Necessity of Frequent Statements.



DIVISION OF PRODUCING COSTS

III

PRODUCING COSTS

I. THEORY OF COSTS

COST accounts may be considered of comparatively recent origin, their existence having been necessitated by the growing needs and complexities of manufacturing. The development of the factory system, the immense improvements in machinery and general manufacturing methods, and the great increase in intensity of competition, together with many incidental factors, have brought the manufacturer into touch with fresh markets where different conditions prevail, and have also brought competitors into his own market. Thus it has become necessary for him to know at all times the exact circumstances under which his business is conducted, so that he may be prepared for the influence of varying conditions upon his own trade. The conditions under which he can sell his goods in bulk or in detail are easily ascertained. But he must also know how he can purchase and manufacture to the best advantage. Hence has arisen the modern system of cost accounts.

Definition.—Cost accounting is a part of general accounting, and is the right arm of factory organization. It may be understood as providing for efficient records of the receipt and distribution of manufacturing materials; inventories of stores of materials; detailed accounting for expenditure for labor, productive and non-productive; a scientific treatment of manufacturing expense or establishment charges, processes and machines, the determining of the cost of operating machines, the rate to be charged for the work done by them; and

the assembling of all these charges to show the cost of production of a unit, lot, or process.

The cost of a product may be briefly defined as the outlay in money for materials, labor, and all other expenditures which are necessary to turn out the finished article.

Objects.—The prime objects of all systems of factory organization and cost accounting are:

1. To secure the highest attainable efficiency of manufacturing departments;
2. To know the cost of manufacturing;
3. To ascertain whether or not a business undertaking is profitable; and
4. To provide a means of determining the basis upon which it is advantageous to sell.

Essentials of Proper Cost-keeping.—One of the first essentials in the keeping of manufacturing costs is an efficient accounting system, providing for a thorough classification of expenditure, subdivision of which may be as minute as practical requirements demand, to ascertain exactly the character and the amount of the expenses of operation and maintenance of the manufacturing plant. In designing an accounting system for a manufacturing concern, the setting forth of the results of manufacturing and trading, the treatment of manufacturing costs, the classification of income and expenditure, the detail necessary, and the general arrangement of the system, are all matters for consideration. No one business will be found to be exactly similar to another in its organization, or in its business methods. According to the character of the manufacturing and trading will it call for good judgment, and perhaps some ingenuity, in arriving at what will prove to be best suited to its peculiar requirements. For this reason it is very desirable that careful study of the existing conditions should precede the introduction of a system of accounts for a manufacturing business already established.

Manufacturers have hesitated to adopt methods of

which they had but little knowledge, believing that the introduction of a cost system would mean the superseding of all the accounts previously kept, and the substituting therefor of a system of accounts containing much detail and both difficult and expensive to operate.

This may in part be attributed to the large number of manufacturers who have seen the industries they now control develop from small and unpretentious efforts to supply the demands of a limited community with their particular manufacture, to industries which, in many instances, are now of national importance. It is not to be wondered at that the conditions under which such tremendous strides were made should be considered equal to the requirements of the future, yet their continued success may depend upon an accurate knowledge of manufacturing costs.

Relation of Cost to Financial Accounts.—The difference between cost accounts and financial accounts may be shown by saying that the former are analytic, while the latter are synthetic.

Cost records endeavor to arrive at the net result of manufacturing by a separation of all details and particulars of cost, showing in the end, as it were, a series of small trading or profit-and-loss accounts. Financial accounts aim at grouping together the results, not of each item of work, but of each class of expenditure.

The functions of cost accounts are peculiar to production. Those of the commercial or financial accounts are not. Cost accounts are restricted in their operation to a specific purpose. They may be dispensed with altogether, as is too often the case. Financial accounts must be kept continuously and exactly, even though they are of the simplest character.

Cost accounts which do not at any time come into agreement with the commercial accounts, and are not subject to those continuous checks which safeguard the accuracy of the latter, can not at their best be much more than memoranda, with more or less uncertainty as to the results obtained, according to the conditions under which

they are operated. The double-entry system of account keeping is the only true basis upon which the accounts of a cost system should be established. A system of cost accounts by which records of costs are maintained parallel with charges in the financial accounts for manufacturing materials, labor and expense, lacks completeness, and its accuracy is open to question when agreement with the financial accounts is not compulsory. If attempted at all, it may be omitted in busy periods. This failure to provide for an agreement between the financial and the cost accounts is an important point that must be emphasized. At first thought such a system has many seeming advantages, chief among which is the being able to close the financial accounts at any time, without the necessity of any entries being made therein from the cost records. A bad feature, however, is that in closing the financial accounts the condition of the cost accounts may be ignored altogether. It may, in particular instances, be even desirable and convenient that the books and records of the cost system be kept in another office by a cost clerk, or a number of clerks. If the system has been so arranged, it matters little whether the accounts of the cost system be kept in the same office with the accounts of the other departments, or at the factory or mill office many miles removed from the general office. It is a mere matter of detail to provide for the returns of operations and necessary transfers. In some manufacturing and trading concerns their productive departments are treated as if they were entirely independent. The product of these departments being solely for the trading department, the accounting relations are of a very simple character. In such instances, the factory accounting system is the cost system, with more or less elaboration of detail, according to the burden put upon it in this respect by the general accounting system. For the most part, such arrangements will permit of detailed information concerning cost of production being available in the general office without undue duplication of effort. Under whatever arrangement operated, the test of the relation of the accounts of the cost system to the financial accounts should be the

necessity for the latter accounts to contain the results shown by the cost accounts, in order to furnish the total amounts required for periodical statements of condition.

The more simple the financial accounts are, the more they will be appreciated; but efficiency should not be sacrificed for simplicity. A minimum number of accounts in one system of accounting is no indication of the number required in another system, though the operations of the one may be similar to the other, or nearly so.

Adoption of a Cost System.—The manufacturer may reasonably ask how much disturbance will be caused his operations by the introduction of a cost system. A workshop in which the production is not the result of complex operations presents a less difficult task than one comprising numerous departments with varied operations. A time limit should never be allowed to be a factor in the introduction of a cost system. The work of introduction is largely educative, and it may take a number of months before results are obtained which may be considered satisfactory. Employees, as a rule, are not appreciative of systems whereby manufacturing costs may be obtained. Even in the office there may be objections to new methods, for nothing tries out and tests a clerical staff like the operation of a cost system, but with a reasonable knowledge of the principles underlying its operation it becomes a pleasurable study of interesting problems, an ever-widening field of investigation, and an acquiring of valuable knowledge.

The introduction of a cost system will be materially affected also by the attitude of the executive head. The best cost system ever designed can have its working seriously impaired, if not negated, in failing to receive the active and more, the determined, support of the manager. Weakness, indifference, or carelessness in shop administration will from the very first be brought to light by a cost system, and if the factory manager is a party to such faults, that is, if he allows those shop evils to continue, which the new system will displace if carried out, and if he does not lend his assistance and authority

toward that end all the time, then he must not complain if the successful working of the cost system is thereby materially retarded.

A further factor in the operation of a cost system is the clerical assistance. A cost system does not necessarily require expensive additions to the clerical staff, but it does require intelligent operation. Its efficiency will very largely reflect the efficiency of those responsible for its operation in a clerical capacity. The general introduction of a cost system, if the work is done intelligently, will proceed without any actual disturbance of the work of production.

Class of Product a Factor.—A concern producing continuously much the same class of product can adopt more easily a system of cost accounts than one in which the product is more varied. In such instances the cost of a particular output for a period, and not the units of manufacture, is all that will be required. This is not to say that the cost of the unit of manufacture is not obtainable, but that it is not desirable to deal in the cost accounts with other than the manufacturing cost of specified quantities of particular manufactures, from which the individual costs are easily available. The product of a workshop or factory, of which the manufacturing cost of the finished unit is necessary, calls for different treatment in the cost accounts from those manufactures which, for the purposes of commerce, are sold in units of quantities, specified either by weight or number. In production, either to order or by special contract, of units having a distinct identity the manufacturing cost of each unit is desirable and necessary.

The cost of manufacturing processes of chemical and kindred industries, where conditions of production are met with which may be found to exist in the workshop or mill, shows that under certain conditions of production the allied efforts of the manager of a factory or department—with his technical knowledge of the work in process—and of the cost accountant, are very necessary to insure success in obtaining the manufacturing cost. It is not to

be expected that the cost accountant will also be a chemist, or an engineer; nor does a general knowledge of the product, and of the processes of production, make unnecessary the assistance of those in charge of the manufacturing processes. Having recognized the fact that all have an important interest in working together to know the manufacturing cost, it will be found both interesting and profitable.

Some reference may also be made to manufacturing operations where the materials used may include precious metal, such as gold. Conditions varying greatly from those common to working in other materials not so valuable must be provided for. And how they shall be provided for—where the dust barrel with its precious contents and even the strainers of the sinks in the department lavatories are veritable Klondikes—reveals to us something of the varied application of the principles necessary to the obtaining of manufacturing costs.

No General System Possible.—A classification of manufacturing costs must be as diversified as the output itself, and any attempt to design a system of cost accounts applicable to all conditions of production, or for that matter, a limited number of systems of cost accounts, will fail of its purpose, because necessarily the business under such conditions is fitted to the system, and not the system to the business. These remarks are not intended in any way to reflect on the useful agency of card systems, loose-leaf records, and the many other ingenious helps, which are the product of clever and inventive minds, and which have aided so much in the operation of well-arranged and carefully conceived systems of cost accounts.

2. ANALYSIS OF COSTS

Three Elements.—One of the most delicate problems which have engaged the attention of modern accountants is that of the proper division of costs; and experts are by no means agreed as to the exact classification of

some items. For this reason we can not go further into this subject than to outline typical methods which have found general acceptance.

A careful analysis of the problem of producing or manufacturing cost will reveal three elements, as follows:

1. Material Costs.
2. Labor Costs.
3. Operating Expenses.

Each of these elements is subject to further classification and analysis, and will therefore be discussed in some detail in succeeding pages. The value of the material and labor used in the manufacture of a product, apart from any expenditure representing the expense of manufacturing, is termed the "prime cost," or the direct cost.

1. Material Costs.—The organization necessary to obtain accurate material costs should begin in the purchasing department, for if the records of purchase and receipt of manufacturing materials are efficient, it is reasonable to expect that the same orderly methods will follow in the distribution of materials to be used in manufacturing. The advantages of improved methods more than offset any extra clerical or other labor occasioned by them, and where the manufacturing operations are on a large scale they are indispensable.

Objection to the added expense of cost keeping should never be the final reason for not installing a cost system, but the expense of cost keeping should never be out of proportion to the manufacturing operations. Cost keeping would have accomplished much if it did nothing more than put a check on waste and loss in the handling of material, and its subsequent use in manufacture.

Stores.—All materials should be received into "stores." This term is used to cover all materials not being used in manufacture. It does not imply that all materials as received must be actually placed in a particular storeroom, but reasonable care should always be exercised to have heavy or bulky materials so placed that, while easily available, they are distinctly identified as stores. With

these exceptions it is desirable to place all materials in a storeroom in charge of a storekeeper, who is responsible for these and all the stores received by him. This means that the storekeeper shall be placed in a reasonable position, and afforded every means of knowing the quantity of stores received daily, the quantity of stores issued, and the inventory of stores on hand.

The system necessary to do this is not beyond the reach of any business. The storekeeper should be advised of every purchase, in such form that he may use it as his original record of stores received. The quantities of stores purchased from time to time will be in accordance with the requirements of the stores department, for which requisitions to order stores should be sent to the purchasing department.

It is in the issue of stores to manufacturing departments that apparent difficulties present themselves. Where only a part of the stores issued will be used at once, the quantity to be charged to the work in progress can only be ascertained when they are actually used. It may be necessary to establish substores in such instances. This must depend upon what the particular conditions call for. What is required is a record of stores issued, either for use in manufacturing or as a charge to the expense of operation. At the same time, it is to be remembered that these records, while efficient, must be without any unnecessary detail, either in form or in their actual use. Workmen are not partial to keeping records, no matter how simple. Good judgment must be used as to how much of this is necessary. Certainly where the time of skilled workmen is involved, it is more economical to use a shop clerk and, at the same time, possibly more accurate results will be obtained. Particularly where workmen are engaged in processes or operations requiring their constant attention, and of such a character as to be inconvenient to make records, a verbal requisition, or report to a clerk, is in every way more desirable and satisfactory.

The shop requisitions for stores will constitute the storekeeper's original record of stores issued, and will,

with the reports of materials used from substores, provide the basis of charges to material costs of the work in progress, and to the operating expenses, in so far as stores issued may be a charge thereto.

Continuous Inventories.—Some passing comment may be made on keeping continuous inventories of stores. As to whether these inventories should be kept written up in the office from the storekeeper's records, or the writing up of inventories be the duty of the storekeeper, depends very much upon the particular operations concerned. If the inventories are kept in the office and written up by a clerk, then, in the case of particularly well-equipped manufacturing concerns with extensive operations, they may be supplemented by a storekeeper's inventory of quantities only, kept in his department. Periodical requests from the office as to the quantity of stores of any one class on hand at a particular date will afford a check on the accuracy of the inventory of that class of stores, and in this manner the inventory of all stores may be checked several times a year. Allowing for ordinary fluctuations in market prices, which allowance may be minimized by constant averaging of price lists, the total in value of the inventory should agree with the ledger values.

2. Labor Costs.—Labor may be divided into two classes—productive and non-productive. Productive labor can be definitely identified as belonging to a particular piece of work. Non-productive includes all labor not contributing directly to production, but necessary in the operation and maintenance of the shop or factory. For the purposes of obtaining labor costs the fact of labor being skilled or unskilled does not indicate to which class it belongs, although it is to be expected that skilled labor, in the sense in which this term is used, will be productive. The term "labor cost" is used to describe the cost of productive labor charged in the cost accounts to work in progress of manufacture. The tendency of this cost to increase, caused by organized effort to obtain increased

remuneration for shorter working time, or from other causes, makes accurate costs absolutely necessary, if the selling price is to be regulated to afford a satisfactory return to the manufacturer.

Wage Systems.—The systems of labor remuneration in general use are a rate per hour of time worked, and the ordinary piece-work system, whereby the workman is paid for the work he has done at rate per piece or equivalent thereof. These have been supplemented in certain industries or superseded by improved systems. The object of these systems is to increase the output, thereby reducing the manufacturing cost, while affording increased remuneration to the workman. This increase is effected by offering a premium for the output of work under the time adopted as the minimum time in which such work can be completed. The premium offered is practically sharing with the workman the value of the time saved in production. In doing this, a saving in expenditure for wages is effected, and, allowing for extra strain on machinery and the expense caused thereby, is a further saving in the manufacturing expense.

Time Records.—Every workshop or mill has some system of checking their employees in and out. Many of these systems either consist of, or have in operation, one or more of the numerous mechanical aids which have been invented for obtaining records of employees' time for pay-roll purposes. (See *Labor-saving Devices*, Vol. I.)

Methods of obtaining labor cost are determined largely by the character of the manufacturing operations. It is to be kept in mind that the making of records of the time chargeable to work in progress should not mean the loss of time of skilled workmen, nor does it insist upon workmen doing that which it may not be convenient or practical for them to do. The fact that the workman is the original source of information concerning the charging of his time does not imply that he be required to make the charge. The daily time-card is essentially for use by the workman, and apart from his ability or his

willingness to use it, and the economy of his doing so, it may be questioned if he is rendering the best value when actually making records, which a clerk by training and occupation is better qualified to do, and at what may prove to be less expense. Therefore the methods it is intended to put in operation should be carefully reviewed. In some industries it is practical for workmen to furnish records of time worked, and the nature of the work they are engaged upon permits this to be done without its being burdensome or causing any real loss of productive time. When the same class of manufacture continues from week to week, descriptive time-cards, with divisions of time and names of the operations thereon, only require to be punched as these operations are completed, to show the time occupied on each. And in other instances, repeating here what has been said of the designing of forms for recording the use of materials, the writing required should be reduced to the minimum. Well-designed forms do much to assist in the making of shop records. Nothing which can be printed should be written, and the printed matter should never exceed what is actually needed. Simplicity of detail, if not another way of describing efficiency of operation, is at least very near to it. Under conditions which make it difficult for the workmen to furnish records of time worked, recourse must be had to the time clerks, whose duties may also include the writing up of the pay-rolls and the entering up of the labor costs of the various departments in the cost accounts.

Analysis of Pay-roll.—Where workmen are engaged from week to week on continuous operations, or production of a similar character, an analysis of the weekly pay-roll may be made to obtain the labor costs. The analysis must, however, be based on absolute knowledge furnished by daily time-slips or cards, a foreman's daily report, or by a time clerk.

It is also practicable, and desirable in many instances, that the arrangement of the cost accounts provide for the showing separately of different descriptions of labor, or

the labor of particular departments through which the work has passed in different stages of production.

3. Operating Expenses.—The operating expenses, however, are everywhere and continuous, and therefore are a perpetual cause for concern to the alert factory manager. It not infrequently happens that, with a growing feeling of being unable to locate where the increased cost of manufacturing occurs, those items which can be identified and valued are made the subject of closest scrutiny, with the result, possibly, that less valuable materials are used, and wages are reduced. But the system in use may not provide for the accurate ascertainment of the overhead expenses, so that manufacturing goes on with the same uncertainty of its character and amount. The conditions have not been improved, for if a cost system means anything it means ascertaining all of the elements of the cost, so that unnecessary features thereof may be eliminated, while maintaining or improving the quality of the product.

Indefinite knowledge of the operating expense exists in many industries. To determine its character and amount accurately is of prime importance.

Various Terms Used.—Various terms are used to denote this feature of manufacturing expense, such as "shop charges," "factory expense," "on cost," and "overhead expense." A sharp distinction should be made in every system of accounting for manufacturing and trading concerns between manufacturing, selling, and general or administrative expense. The first two classes of expense are chargeable to manufacturing and trading respectively, and the third class of expense is chargeable against the profit from operating and trading.

In some instances a proportion of the expense charged to administration may be considered a fair charge to manufacturing. Such a contingency arises when an executive officer, and remunerated as such, actually devotes a large proportion of his time to the manufacturing operations. The expenses in respect of rents, taxes, and

insurance can by a proper system of accounts be determined and apportioned monthly. It is necessary, perhaps, to state that expenditure in this connection is intended to mean expenses incurred without regard to the fact of whether the actual disbursements have been made for such items or not.

Bases of Distribution.—It is important to know the expense of manufacturing, but it is equally important to distribute it with the least incident of error. This requires some basis of distribution. Several methods may be considered :

1. A percentage on the value of material and labor.
2. A percentage on the value of the material used.
3. A percentage on the value of productive labor.
4. A rate imposed per hour of productive labor.

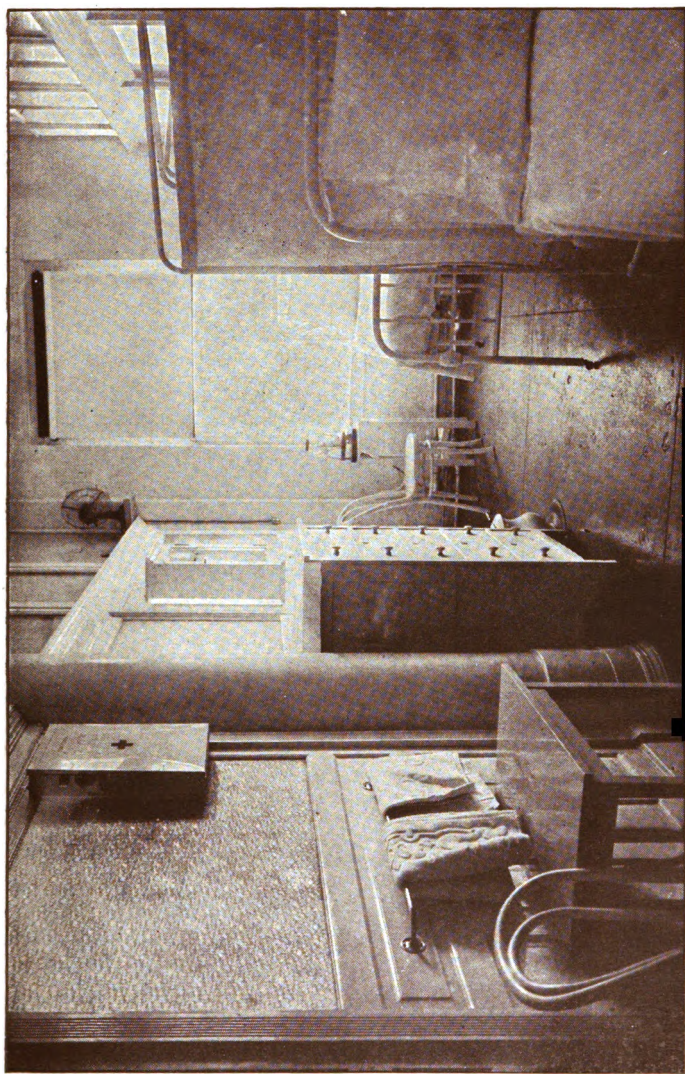
The allocation of manufacturing expense to machines, and its distribution by means of a machine rate, will be referred to later.

Difficulties in Above Methods.—A distribution of manufacturing expense having as its basis the value of the materials and labor is not an equitable one, by reason of more expensive material being used on one contract, or shop-work order, than that used on what may be similar production, notwithstanding that the material has been subjected in each case to the same operations, occupying the same time, and using, perhaps in each instance, machinery with a like expense burden of operating.

The principle chiefly involved is that the manufacturing expense is an occurrence of time, and as such should be distributed over units of time.

The third method is largely used, and because it does in some instances effect the same distribution as that obtained by the fourth method, they may incorrectly be considered to be similar in their results. This method also appeals in application on the ground of convenience.

The proportion of manufacturing expense to be charged to a particular shop-work order under the third method is obtained by using a percentage of the value of



Hospital and Emergency Room

It is economy to provide for care in sudden illness and accident. A room like this can be equipped for about one hundred and fifty dollars

the productive labor charged to that work order. This percentage is the rate per cent obtained by dividing the total amount of the manufacturing expense by the total amount paid for productive labor. In using this plan, the workman earning the higher wages must necessarily bear a larger amount of expense than the one earning lower wages, whereas by a more equitable distribution the reverse would be more in accordance with the facts.

The convenience of using a percentage basis at times can not be questioned, but convenience or simplicity should not prevent the use of more accurate methods, when greater accuracy is essential.

The using of the fourth method of distribution does not necessarily mean greater detail in cost keeping. The general practise is to remunerate labor at a rate per hour of time worked. The total number of hours of productive time is obtained from the time-sheets, or a similar source, and summarized. The entry in the cost accounts states the number of hours, or fractions thereof, charged to each shop order, and the charging of the item of expense is but a matter of detail when the rate has been determined, which will be the cost in expense per hour of productive time.

It should not be lost sight of that each department must bear its proper proportion of expense. Some pains may be necessary in making the first distribution, but if this is carefully done a basis is provided, which reasonable observation of the department operations will either confirm or show wherein it is in error. Prompt adjustment of the apportionment required by changing conditions should be made when such changes occur.

The Machine Rate.—Machinery is a greater factor in the production in certain industries than in others. Frequently it is of a special type, and either automatic or of such a design as to reduce very largely the labor of operating. The necessity of knowing the expense of operation and maintenance of these machines introduces the machine rate. This rate consists in treating each machine as a productive department, and charging it with

power, oil, repairs, rent, taxes, insurance, depreciation, interest, and other items of manufacturing expense, and charging shop-work orders for work done by machines at a rate per hour of machine time representing the cost of machine operating.

The more obvious of the costs connected with machinery are of four classes, as follows:

1. Those based on occupancy of space, which we will call space cost;
2. Those based on the cost of the machine itself, called machine cost;
3. Those based on special expense connected with the machine when in operation (but not including power), called machine use cost;
4. Power cost.

The criterion for distributing burden over production on the basis of use of machinery is clearly time; the element of the same machine (when in proper repair) will always be capable of producing the same relative results. Even if the nature of a job requires lower speed, and loss is suffered, it is right that the loss should be charged to the order requiring such reduced speed rather than to the machine itself; for, so to speak, the loss is the fault of the job and not of the machine.

1. Space Cost.—Analysis of these four classes of cost will show how they can attach themselves to the machine. The first, or space cost, will be a certain proportion, determined by the machine's occupancy of space, of the space cost of the entire establishment. This space, however, is not determined by the mere floor dimensions of the machine, but is the space necessary for its successful operation, with room for operatives, for light, for feeding materials and delivering product, for passage-ways to and from it, etc. As a result of this subdivision, then, we find on account of space a burden of general cost which this machine must bear. The elements of the cost are usually five or more:

1. Rent of or interest on investment in land and all buildings thereon;

2. Repairs to buildings which are really a part of the costs of running the machines which they are built to house;
 3. Depreciation of buildings which repairs can not prevent.
 4. Taxes on land and buildings;
 5. Insurance on buildings;
- Allied to these, though figured on a somewhat different basis, are heat and light.

2. Machine Cost.—The second group of expenses is divided into the four normal elements: (1) Cost of repairs due to the passage of time rather than to use; (2) Depreciation that repairs can not prevent; (3) Taxes (this machine's proportion of the taxes upon machinery); (4) Insurance (this machine's proportion of the total insurance on machinery).

3. Machine-use Cost.—The third group of plant expenses is divided into four main subdivisions, which are as follows:

1. The direct expenses of operation, such as for oil and cleaning, but not power;
2. Repairs due to wear and tear;
3. Depreciation due to use;
4. The five normal elements—interest, repairs, depreciation, insurance, and taxes—on any special tools which may be required in connection with this machine.

4. Power Cost.—The last group is power cost. The determination of the proportion which should be attached to each machine must be based upon many figures, but in principle it is very simple. The power establishment is itself subject to three of the four groups of charges that we have already connected with the other machines, that is, space cost, machine cost, machine-use cost; for the power plant is responsible for its share of the ground rent of the whole establishment, for the five normal elements upon its own building, for its light, for the four

normal elements upon its own machinery, and for its special-use costs.

Machine Total Cost.—This completes, roughly, the list of things of which the cost can be applied directly to particular machines. These four groups of cost—space cost, machine cost, machine-use cost, and power cost—are the total costs of running the machinery. This total for each machine divided by the number of working hours in a year gives what is commonly called the “machine hour rate.” Some allowance is always made, of course, for necessary idleness of all machines, such as for repairs, oiling, cleaning, etc. Every machine in the shop has its symbol or number, and has attached a tag giving its hour-rate. Since all work is done by the authority of a job order, it is a simple thing for the operator when reporting his own time to report also the time of the machine which he has used. This gives a figure of machine cost to be charged to each job order; and it covers all the burden which we have been able to attach to the use of machinery.

Idle Time.—The determination of cost in connection with machinery has so far been on the assumption that all machinery is driven full time. Theoretically no machine should ever lie idle, except for repairs, oiling, cleaning, etc. Practically, however, this is impossible. It may chance, for instance, that on some work one planer can keep up with three drills, and that on other work one drill can keep up with three planers. It is obvious, then, that idle time is so far a matter of importance that it may throw entirely out of usefulness the calculation of the machine rate at full operating time, and therefore must be introduced in many cases as a new element.

The rate charged for work done by machines should be based on the normal operating time, with a second supplementary rate representing the cost of the idle or non-operating time of machines, and items of expense which can not be charged direct to any one machine. If, for instance, the expense of operating a particular machine is \$180 for a month of 225 hours of full operating

time, this would be a rate of 80 cents per hour for the work done. But if the machine was only run 200 hours, the rate charged to the shop-work order would be still 80 cents, with a second rate to provide for the distribution of the \$20 representing the expense cost of the non-operating time of the machine, not allocated to the work in progress, by the normal rate per hour.

A further reason for making two charges in the cost accounts for the machine operating—first, a normal rate based on the full operating time of machines, and a second rate to charge out the expense not taken up by reason of non-operating time of machines—is in knowing what excess of machine operating cost charged to work orders is caused by the various machines not being operated full time.

The second rate is a sort of machine operating cost barometer, and should be carefully watched. The nature of the work done on certain machines admits of reports of machine time being returned daily showing the time operated and idle. It may be, if the machines require to be set up with each change of work and the changes are frequent, that too much time is being consumed in doing this. But if the idle time is known immediately, with prompt attention it may be reduced and the output increased.

3. COST RECORDS

The most convenient system of indicating what work shall be got out by a shop, a factory, or mill has been found to be a system of orders, but as this term is used in connection with purchases, manufacturing, and sales, a more definite term is required, such as "factory order," "production order," or "shop-work order." The latter admits of little chance of being misunderstood or confused with other classes of orders, and the term "work order," or an order to do work, is successfully used.

Order Systems.—These work orders must, in turn, be capable of being separately identified; and it will be readily understood that to give each the actual name of

the work in progress would not be practicable, therefore a system of numbers is used, and by the number given to a work order the work is known in all its stages.

It is desirable to allot a series of numbers for standing orders. The distinction between a factory "standing order" and a "factory-work order" is that the former is an order, which stands until changed, to perform certain work in the nature of expense, and to which such material as may be used is charged, also the labor pertaining thereto, while the work order is issued to authorize work to be got out in the nature of product, and to identify it while in progress of manufacture.

The Cost Clerk.—One clerk, to be known as the Cost Clerk—with such assistance as may be necessary—should be immediately responsible for the operation of the cost system. In the equipment of his department there is ample opportunity for the use of cards, indexes, loose-leaf records, and other convenient and quick helps, in the assembling of cost data.

Importance of Exactness.—If system is desirable in the workshop in obtaining records, orderly methods should also obtain in the cost department, to permit of the information furnished by the factory records being assembled for entry in the cost accounts with reasonable promptness. This is necessary if the cost system is to be effective.

The entry in the cost accounts of charges from factory records should never be allowed to be in arrears. It is not unreasonable to expect that the entry of charges in the cost records shall be overtaken on the day succeeding that in which they occur. Cost accounts lose much of their value when the information they purport to give is delayed for weeks after the completion of the product. If the system of obtaining costs is found to affect the promptness with which records should reasonably be expected, then the cause of the delay must be located and an immediate remedy provided, whether it be in the factory or in the cost department. It may be that the clerical

assistance is inefficient, or, if it is efficient, the work is in excess of the means to overtake it. These conditions are also capable of adjustment.

If the cost of machine operating is kept, the cost ledger should contain accounts with the various machines. The form of ruling to be used in the cost ledger accounts will be as varied as the industries for which it is required. There should, however, be sufficient provision for analytical detail to show quickly what the cost is, and what it contains.

Installation of a Cost System.—In the installation of a cost system one of the first points requiring consideration is a simple and efficient purchase system. The elements of one sufficiently elastic to meet the needs of the smallest as well as the most complex are briefly stated as follows:

The purchasing agent maintains a card index giving details as to sellers and their specialties.

A purchase order blank in quadruplicate is made out by the purchasing department. This provides space for the name and address of the one who gives the order, specifications of the article ordered, instructions as to shipment, and other necessary details. Each order is numbered and it is insisted upon that the order number be put upon the invoice for purposes of identification. One copy goes to the person who gave the order, one each to the accounting and receiving departments, and the fourth copy is retained by the purchasing department.

Method of Working.—The goods having been received, the invoice accompanying same is compared with the order and checked as to quantity and quality; the invoice is then passed to the purchasing department for approval of prices, after which it is sent to the accounting department. The prices mentioned in the invoice are now entered on the copy of the original order which the accounting department has received, and the order is sent to the factory superintendent, who exchanges his copy for the one he now receives, first checking with his

requisition to verify the fact that all goods required have been ordered and shipped. The factory bookkeeping department next enters upon the stock record the quantity and prices of the goods. For the verification of receipt of goods, prices, extensions, all necessary approvals, and the ledger folio of the creditor and the designator of the account which is to receive the debt, a form should be rubber stamped on some convenient space on the invoice. A cover on which is summarized the charges and credits contained within is then fastened to the invoice, and through this medium posting can be made directly to the accounts affected. In practise, however, it has been found advantageous to post only the creditor's ledger from the invoice, carrying the debits to a purchase summary, from which monthly totals are posted to the general ledger accounts.

First Steps Necessary.—The raw material having been received, a stores ledger is necessary in order to keep a summary of the following:

1. Material received;
2. Material used in the factory;
3. The exact amount of material used on any particular piece of work;
4. Data to maintain a running of perpetual inventory.

One card on the page is allotted to each article purchased, as follows:

MAXIMUM STOCK....

UNIT.....NAME OF ARTICLE..... MINIMUM STOCK....

<i>Received</i>				<i>Issued</i>				<i>Balance</i>	
<i>Date</i>	<i>Order</i>	<i>Quantity</i>	<i>Cost</i>	<i>Date</i>	<i>Req.</i>	<i>Quantity</i>	<i>Cost</i>	<i>Quantity</i>	<i>Cost</i>

From this it will be seen that when goods are received the stock clerk places at once on the debit side of the card the date of receipt, quantity purchased, and unit price.

Withdrawals.—When goods are to be withdrawn from stock for use it should be done only by requisition, prepared usually in triplicate, and properly signed by some one competent. This requisition contains at the top the number of the order against which the material is to be charged, the date, and the quantity desired.

REQUISITION

No.....
To Account No..... Date.....

MATERIAL REQUISITION

For Production Order No..... Shop Order No.....

Required for Department..... the following material for making:—

(Use a separate requisition for each item.)

<i>Quantity</i>	<i>Kind of Material</i>	<i>Price</i>

By.....O. K. Foreman.Sup't.

.....
Record Clerk.

One requisition should be used each time material is drawn, each order having a separate requisition. The worker requiring the goods should go to the clerk who issues the goods, secure on one requisition a proper receipt, file this, and on the other requisition make an extension from the stock card of the cost of the material issued. This requisition is then sent to the accounting department, where it is entered on a summary sheet of materials consumed, the amount being extended to the column designated to correspond with the order number against which the goods were drawn. This sheet is totaled every period, and the total charged in the cost ledger to the respective order. In the general ledger manufacturing is debited, and materials and supplies credited. Following is a sample of this summary sheet:

SUMMARY SHEET OF MATERIALS CONSUMED

<i>Date</i>	<i>Order No. 1</i>	<i>Order No. 2</i>	<i>Order No. 3</i>	<i>Order No. 4.</i>
Totals..				
L. F....				

A trial balance of the Stores Ledger should be taken monthly or oftener; its balance of stock may be verified by checking with the physical inventory at regular periods or at such times as the various items of stock are at a minimum. It should also agree with the balance of "raw material" account on the general books.

Time Reports.—Each employee engaged in productive labor is required to report his time each day on a daily time report, showing the number of hours consumed on

each order number. This report is checked by the foreman and passed to the accounting department. A sample follows:

DAILY TIME REPORT

Name..... Date.....
Workman's Number.....

<i>Order Nos.</i>	<i>No. Hours</i>	<i>Unit Rate</i>	<i>Extension</i>

When these time reports get to the accounting department they contain merely the employee's number, the number of hours employed on respective order numbers, and the date. The time clerk will then extend the cost of the labor expended upon each, and all reports relating to the same number are collected and the number of hours and cost thereof entered on a labor distribution sheet, sample of which follows:

LABOR DISTRIBUTION SHEET

<i>Date</i>	<i>Order No. 1</i>		<i>Order No. 2</i>		<i>Order No. 3</i>	
	<i>Hours</i>	<i>Amount</i>	<i>Hours</i>	<i>Amount</i>	<i>Hours</i>	<i>Amount</i>
Totals.....						
L. F.....						

At the end of each paying period this sheet is totaled, and it should, of course, equal the amount of the pay-roll, which is posted directly from the time reports. This makes one of the best possible checks on the pay-roll. In the general ledger, manufacturing is debited and accrued labor is credited. This will, of course, always keep a credit balance to accrued labor, except on the day on which the pay-roll is paid, and even then in cases where payment is not made to date. The cost of the productive labor expended on each order number is then posted to the debit of the respective order accounts in the cost ledger from the summary sheet.

Incidental Expense Reports.—In order to ascertain correctly the general expense, it must be always remembered that the labor expended upon the reports is always non-productive. The orders or units against which all general expenses are charged are, in every instance, standing orders. The material is ascertained usually in the same way as outlined above for material in general, but there is apt to be a deviation from the rule that the storekeeper receive and issue all materials. It is sometimes necessary that the supplies be first consumed and then a report made as to the order numbers against which they should be charged. This often occurs in the consumption of very small lots of inexpensive supplies, such as coal, etc. A summary sheet of materials consumed is used as follows:

SUMMARY OF MATERIALS CONSUMED

<i>Date</i>	<i>Order A</i>		<i>Order B</i>		<i>Order C</i>	
	<i>Amount</i>		<i>Amount</i>		<i>Amount</i>	
Totals						
L. F.						

The time expended under manufacturing expenses is reported in the same manner as that expended by productive labor, except that no record is kept of the number of hours expended.

Having charged to each account in the manufacturing ledger the expenses pertaining to it, the next step is to distribute them over the various orders for the production of goods as shown in the cost ledger. This distribution is made by means of a distribution sheet of manufacturing expenses, outline of which follows:

DISTRIBUTION SHEET OF MANUFACTURING EXPENSES

<i>Account</i>	<i>Amount</i>	<i>Order No.</i>	<i>Hours</i>	<i>Rate</i>	<i>Extension</i>	<i>L. F.</i>
Totals						

In the "account" column is placed the name of each account appearing in the manufacturing ledger, and in the "amount" column the total expended under that account. In the "order number" column are placed the numbers of all the orders worked on for the period, taken from the cost ledger, and in the next column is placed the number of hours of productive labor expended on each such order number. The total of this number of hours divided by the total amount expended as given in the "amount" column gives the unit rate or constant by which the total amount of the manufacturing expenses is thus properly distributed, and is ready for transfer to the proper accounts on the cost sheet. This distribution is made at the end of each period.

Closing of Completed Order Numbers.—When the articles to be manufactured by any order are completed, that order number is ended and the account in the cost ledger must be closed. To do this a summary sheet of order numbers completed is prepared for each given period. This is the medium through which is completed the transfer from goods in process of manufacture to "finished product." A sample of this summary sheet follows:

SUMMARY SHEET OF ORDER NUMBERS COMPLETED

<i>Date</i>	<i>Order Nos.</i>	<i>Finished Product</i>	
		<i>Sales</i>	<i>Stock</i>
Totals			
L. F.			

The Main and Auxiliary Ledgers.—In addition to the main or general ledger, there are four auxiliary ledgers maintained, each of which has a controlling account in the main ledger. These are:

Stores Ledger,
Cost Ledger,
Creditor's Ledger,
Manufacturing Ledger.

The account in the main ledger is "manufacturing," which is the controlling account for the cost ledger. This account is debited with the total amount of material drawn from stores, accrued labor, and accrued manufacturing expenses.

The auxiliary ledgers are self-explanatory. The stores ledger is a record of stock received and issued. The total

purchased is carried to the main ledger through the summary sheet of goods received.

The summary sheet of orders completed is posted in detail to the credit of respective completed orders in the cost ledger, there being no debit, this being but a transfer of completed orders from the cost ledger to the summary sheet. The summary entry on this sheet is posted in the main ledger to the debit of "finished product" and to the credit of "manufacturing."

When this transfer of cost totals for the month to the general books account has been made, there remains but little to be done to complete a monthly statement of the results of operating and trading. The figures presented are not the results of estimates but of actual operations, and, if the accounts have been well and carefully kept, are not of less value because of being presented at the end of one month, instead of at the end of twelve months.

Necessity of Frequent Statements.—Monthly statements of operating and trading are of the greatest value. In these days of immense transactions, quick trading, close margins and frequent incident of risk, yearly statements showing the results of operating and trading are largely matters of past history. Something more than this is required for the wide-awake business man. In a fiscal year a concern may suffer serious loss, or let pass the opportunity to engage in profitable manufacturing and trading, because of the absence of immediate information which modern methods of accounting would afford. Once a complete system is installed, the issue of frequent statements is a matter of comparative ease, with the result that the company is at all times thoroughly in touch with every phase of its affairs.

IV ADVERTISING

1. DEFINITION AND CLASSIFICATION

Origin and Development—Advertising in America—Scope and Purpose—Definition—Three General Divisions: 1. *Retail Advertising*—Early Examples—Relation to Newspapers. 2. *Mail-order Advertising*—Mediums Employed. 3. *General Advertising*—Four Mediums Employed.

2. NEWSPAPER AND MAGAZINE ADVERTISING

The Newspaper *vs.* the Magazine—Retail Advertisers' Use of the Daily Papers—General Advertisers' Use of Magazines—The Country Newspaper—Cooperative Newspapers—Religious Periodicals—Agricultural Periodicals—Class and Trade Publications.

3. CATALOGUES, CIRCULARS, ETC.

Two Important Points—Typographical Make-up—Use of Color—Outlets Open to the Manufacturer—Catalogues—House Organs—Circulars.

4. STREET-CAR ADVERTISING

Limitations—Articles to Advertise.

5. OUTDOOR ADVERTISING

Ground of Its Appeal—Painted Signs—Illuminated Signs—Average Cost—Printed Bills or Posters—Nature, Art, and the Advertiser.

6. WRITING AND PLACING ADVERTISEMENTS

The Advertising Manager—What is Good Advertising Copy—The Lure of the Catch Phrase—Holding the Interest—Two Kinds of Copy—Truthfulness in Advertising—The Psychology of Appeal—How the Modern Retailer Advertises—Steps in Making Up Copy—Placing in the Medium.

7. AGENTS AND CAMPAIGNS

Origin of the Advertising Agent—The Modern Agent—The Advertising Campaign—Problem of Mediums—Who Pays for Advertising—The World's Advertising.

IV ADVERTISING

I. DEFINITION AND CLASSIFICATION

WHILE the term "Advertising" is often considered as referring to the extensive publicity employed by manufacturers and retail stores to create a demand for their wares, it in reality includes every class of public announcement: the extensive "want" columns of the daily newspapers, which are patronized by persons needing employment, wishing to hire employees, desiring capital or assistance in special enterprises, offering rewards for lost articles, calling attention to real property for sale or for lease, etc., known as "Classified Advertising"; the "general" columns occupied by dealers in merchandise, real estate, etc.; the "professional" columns devoted to the cards of professional men; the "amusement" columns giving notice of theatricals, operas, lectures, etc.; and in fact every variety of notice intended for the public and for which a space rate is charged.

The sign-board of a store, shop or factory is also an advertisement, its commercial significance distinguishing it from the name-plate on the door of a private residence. An announcement on a bill-board giving the address of a merchant, or indicating where special products may be purchased, differs for the same reason from the milestone of the country highway.

Origin and Development.—The history of advertising, in fact, can be traced back as far as Roman days and even to ancient Egypt. Notices of runaway slaves written on papyrus have been found along the Nile. In Pompeii wall decorations have been found announcing the nature

of the business conducted within the house. And going back still further, cuneiform inscriptions upon clay tablets in Babylon and Nineveh have been found to set forth business announcements and wares.

Previous to the invention of printing, and before newspapers became general, criers were employed to publish news and to make special announcements in the streets of cities and villages. They were anciently much what the newspapers are at the present day. When illiteracy was general, signs using symbols instead of reading matter were displayed before shops. This is still the case in many Russian towns. Among such are the red-and-white-striped barber's pole and the three balls of the pawnbroker. The "barker" standing in front of a shop and often forcing passers-by to enter is another ancient institution—a sort of local crier.

The merchant who displayed a sample of his goods on the sidewalk before his shop was practising the first stage of the art of advertising. He was drawing attention to his wares.

Real advertising did not begin, however, until the art of printing became general, and then it grew. Caxton, the earliest of the English printers, put out a poster of one of his publications in 1480, and since then publishers have developed slowly, very slowly, the art of booming the best seller.

Advertising in America.—In America the first newspaper advertisement appeared in the "Boston News Letter" in 1704. Advertising soon began to grow at a rapid rate, following the introduction of steamboats, railroads, the postal system and telegraph. The earliest advertisements in American magazines appeared in the "Atlantic Monthly" for February, 1860, and in "Harper's Monthly" for May, 1864. In the United States the growth of advertising was early checked somewhat by the general low class of the advertisement. Newspaper pages were overrun by advertisements of quacks, charlatans and swindlers of all kinds, to such an extent that reputable firms were unwilling to avail themselves of public forms

of announcements. By 1880 better and more reputable interests had changed this, and public confidence began to return.

At first only novelties, specialties, and new inventions were regularly advertised, the staple articles being supposed to sell themselves. The guarantee of publishers to make good all losses incurred from swindling advertisements aided greatly in the restoration of public confidence. Later on, enactments of the Federal Government, inaugurating an energetic crusade against swindling advertisers and denying them the use of the mails, added further safeguards to the public.

During the past few years a movement fostered by the Associated Advertising Clubs of America has done much to ensure the reliability of advertising and bids fair to make even exaggerations the exception rather than the rule. In line with this work a national vigilance committee has been organized which cooperates with similar committees of the individual clubs. Through these committees moral suasion or legal proceedings are directed toward offending advertisers, as circumstances warrant. Educational propaganda is also employed. As the result of these varied activities, laws have been passed in many States penalizing any form of misstatement, as to value, quality, etc. Some publishers have gone so far as to establish laboratories in which the articles advertised in their mediums are put to rigid tests as to the claims made for them.

Scope and Purpose.—Advertising, in the modern general acceptance of the word, is publicity, a means of causing it to be known what service each of us can render, or what wants we can satisfy; and the convincing reasons why it is worth while to take advantage of that service. It is also the art of impressing on the public, the name, nature and uses of some commodity. It may even go so far as to create a want for that commodity, stimulate the buying impulse, inspire immediate action upon that impulse; and once the want is created to keep it alive.

Two of the most compact and comprehensive expositions ever offered by advertising experts are worth noting. Messrs. Calkins and Holden thus define it:

"Advertising is a force whereby a man, controlling a desirable output from a factory, secures for it the widest possible market by utilizing every form of publicity, and every method of making an impression upon the public; who watches the sales on the one hand and its publicity on the other; who, like a train despatcher in his watch-tower keeps a constant and thoughtful hand on the pulse of the market, knows exactly what his advertising is accomplishing and what it is failing to accomplish, knows where to strengthen it and where to weaken it; who, considering the entire country as a whole, adapts his advertising to every locality, pushes his products where such products may be sold, and leaves uncultivated the places where no possible markets may be made. He knows something of salesmanship, something of the law of supply and demand, a great deal of human nature and the best methods of appealing to it; has a vivid, instinctive sense of the power of repeated impressions; knows something of the force of striking display, whether expressed in color on outposters and street-car cards, or in black and white, and in type in magazines and newspapers, and uses these as a means to his end."

Mr. John O. Powers says:

"Advertising is a means of extending the field of one's business operations beyond their otherwise prescribed limits. Trade, like natural forces, travels along the lines of least resistance. Some of the specific advantages of advertising to the business man are: the opportunity to enlarge his field of operations, the ability to maintain prices, the obtaining of an assured custom, and the simplification of business. Advertising is to the field of distribution what the railroad is to transportation. With the ox and wagon, the horse and the sailboat, goods could be carried a short distance only, but the railroad or the steamboat makes the fruit of California a familiar purchase in New York, or the American locomotive a valuable adjunct to trans-Siberian service. The public crier

arouses the interest of but a few people, the salesman is limited to the space he can cover, but printed words in circulars, magazines and newspapers can be scattered broadcast over the country, telling the residents of a ranch in Arizona or a sheep farm in Australia of articles manufactured in London or New York. The large department stores attract the casual passer-by with their handsomely trimmed windows, but their extensive business is due to the use of all legitimate means of advertising.

"Another advantage of advertising is assured business. By creating a large demand, a manufacturer can have the satisfaction of feeling that there is no danger of his mills standing idle. More than that, when one factory becomes crowded with orders and is working day and night, he feels justified in extending his business and building a new factory, but he still keeps on advertising, knowing that, in this way, he can keep up a steady and constant demand, and assure himself of sufficient business. The very features of advertising which make it of value to the business man also benefit the community. In the first place, advertising educates people in a knowledge of standards of quality and costs. They become more appreciative of a good thing, especially of goods that never deteriorate in quality and cost. They learn to vary their purchases, to try new articles, and to look for the best. They can, moreover, become independent of the monopoly of their local dealer, not only as to what they should buy, but also in prices paid for things. This is of special interest in the country districts, where dwellers by reading magazines, newspapers and catalogues can obtain city articles and a wide choice of goods."

Definition.—Perhaps no more concrete, concise definition of advertising may be found than that given by Gerald B. Wadsworth in his text-book "Principles and Practice of Advertising":

"Advertising consists of any effort which has for its purpose the obtaining of distribution or demand, that does not constitute salesmanship."

Salesmanship, according to Mr. Wadsworth's distinction, includes similar efforts employed through personal solicitation. From this it will be seen that advertising is not confined to mere publicity or printed matter, but also involves the devising of plans or methods to popularize a commodity with either the trade or the consumer.

Three General Divisions.—Advertising may be roughly classified as follows:

1. Retail.
2. Mail-order.
3. General.

These classifications refer in a general way to the style or form of appeal that may be employed most logically by the advertiser as it relates to his general business policy. The purpose of both retail and mail-order advertising is to make sales direct to the consumer. However, the conditions differ vastly. General advertising seeks to create a demand that will be satisfied by an intermediary. While the ultimate object in all cases is the same, the methods of presentation must vary. Ordinarily retail advertising is that of a retail store and is purely local, while the mail-order advertiser's customers seldom if ever come to his store. General advertising is usually employed by a manufacturer. Although there are certain mediums which are considered to be best adapted to the needs of each class of advertiser, the lines are by no means rigidly defined in this respect. Thus general advertising matter often occurs side by side with retail announcements and in the same paper with mail-order matter. The correct placing of an advertisement of any given article in any particular medium is always a consideration for the advertising expert, who operates on the basis of previous long experience.

1. Retail Advertising.—As the term indicates, the purpose is to create a sale at retail. Generally speaking it refers to advertising employed by a retail merchant to bring customers to his store. In its modern aspect, retail advertising can be traced back to the beginning of the

department store as we now know it. The first specimens of it were, of course, somewhat tentative and timid, never being more than two columns. The advertiser who first used a full page display struck terror into the hearts of his rivals and roused the curiosity of customers. For a long period, publishers never broke their column rules for an advertisement—all were limited to this width.

The dry goods merchant had hitherto carried one line of goods, and any advertising that he did was confined to making a loud noise in a small space as to their superlative value and microscopic price. When, gradually, a retailer began to consolidate under one roof several departments selling goods of a similar nature, the public naturally hung back. It was obvious to them that one man could not dissipate his energies in so many directions, and that efficiency was going to suffer. There was nothing for the department store owner but to drive home the fact that economy was going to come of the innovation.

Early Examples.—The retail advertisement in its present form, a page or at least several columns of paragraph announcements in a daily newspaper, was first developed on a systematic basis by John Wanamaker in Philadelphia, with the assistance of the well-known advertiser, M. M. Gillam, later of the "New York Herald," who says: "The half column used daily was a big advertisement in 1886. With my eighteen years of experience in gathering and writing the news of the world, it was natural that I should treat the advertising as a news proposition. In the store I sought centers of interest. The style of my predecessors had been sprightly and entertaining, but ran chiefly to talk, with few prices and little selling argument. It was excellent, yet seemed the wrong thing. Prices were made a feature of the advertisements, and the story was varied from day to day by putting emphasis on the different departments. The news of the store, that was the idea. Some days we had strikes in hosiery, and on others red-handed war in the dress goods. Advertising in a big store might be compared to gathering fruit in a great orchard.

"Everything depends on the selection of interesting subjects. Some men get out and gather the ripe, tempting things that appeal to the public, while others set before readers in their advertisements only the windfalls, green plums, and rotten apples.

"My theory of the reader's treatment of advertising was a glance. So presently the advertisements were cut up into paragraphs with little subheads to catch the eye and make easy reading. Every advertisement had little hooks to catch attention, and followed the line of least resistance.

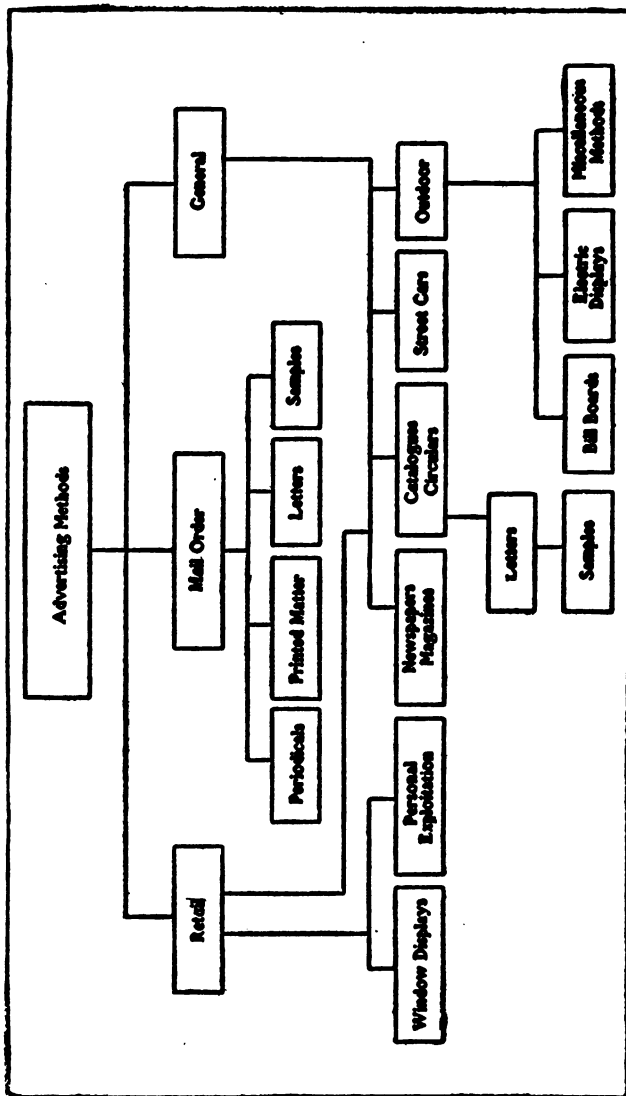
"The average space was a column a day, but sometimes we took a page, and once two pages. But the next day we would use half a column. The advertising simply reported the normal gossip of the stores. The size of the notice indicated its importance. A three-column announcement in the Philadelphia morning papers was instantly recognized by the people of the city as an event at Wanamaker's. It was a good method. I think to-day the normal news of a large store can be simply told in a column of newspaper space. The news of the store is like the news of the world. You can't take Port Arthur every morning, or bury a queen or assassinate a president. If you do, the thing palls. Worse than that, the advertising man must work in the treadmill of a page a day, with the result that the advertising becomes lifeless and perfunctory."

Relation to Newspapers.—Retail advertising is the main support of the daily newspapers, and all the large stores are under contract to fill so much space weekly or daily. The contracts are usually yearly, and hence a certain reduction of rates naturally accompanies them. It follows that the advertiser confronted with the area of newspaper to fill, and confronted with the price of his advertising, must make the best use of his medium. He must turn out copy which will not waste a word—which must, in fact, bring returns. The modern advertiser does not himself sit down and turn out material. He leaves that to his advertising manager, whose specialized ex-

perience and knowledge qualify him to take full charge of that end of the business. Under him will be several assistants, and artists whose duty it is to prepare the drawings to accompany the copy.

The advertising manager of a store business in a small city gets about two thousand dollars; in a large city from five to ten thousand dollars. In the great New York department stores a man may get up to fifteen thousand dollars—especially if, like Wanamaker's, Rogers Peet and some others, he has developed a style of his own. It is said that the manager of one of our large clothing firms who originated a most characteristic style, chatty and yet substantial, was taken into partnership because his salary became so large that the firm decided it would be cheaper to make him share in the fluctuations of the business. As for publications, the advertising manager of a small city daily might earn fifteen or eighteen dollars a week; on one of the leading dailies in a great city he might get ten to fifteen thousand dollars a year—it is even whispered that one gets twenty thousand. Sometimes in both kinds of publications a man has a commission on the volume of business as well as his salary, and on a long time contract with a growing paper this arrangement has been known to work disadvantageously to both parties—the publication, forced to pay out an over-large sum to its manager, promptly discharged him at the expiration of the contract. The advertising manager of a magazine does much missionary business in developing producers into advertisers. A manufacturer, before he can profitably advertise, may need to enlarge his factory, improve his goods, better his distribution, or get on better terms with the jobber and retailer.

2. Mail-order Advertising.—Mail-order advertising differs from either general or retail advertising in representing a distinct method of business. It seeks buyers for merchandise who will order by letters, generally from remote places, and must, hence, perform the work of (a) general advertising, in creating a demand for stock commodities; and of (b) retail advertising, in announcing



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special opportunities to purchase articles in general demand. No department of publicity has attained such a height of development and success as this, and many of the great mercantile houses of this country can attribute their fortunes to mail-order advertising. In some instances the mail-order business has grown to astonishing dimensions. While the department stores in most large cities advertise regularly to fill orders received by mail, in some cases nearly doubling their business by this means, regular mail-order business differs in two important particulars.

1. The goods are sold exclusively by mail-order; in no case being purchasable over the counter by retail or wholesale.
2. The goods are usually sold to mail-order purchasers residing in places distant from the city in which the selling establishment is located.

Mediums Employed.—As its name indicates, this species of advertising is largely limited to the use of the mails, for such material as catalogues, circulars, and "personal" letters. It may, however, be used in conjunction with newspaper or periodical advertising, on the one hand, and personal solicitation, on the other. The subject of Catalogues will be found treated under its own head in this chapter. The subject of Mail-Orders as a whole is related so closely to *Selling* that the reader is referred to that chapter for a further discussion.

3. **General Advertising** is that form which aims at employing various mediums and channels to spread information and create a demand for a salable product among consumers, the demand being met by the retail dealer, who sells over his counter the goods for which the general advertiser has created the demand. Besides the retailer, there is the wholesale dealer, and the advertiser's own agents.

The largest general advertisers in the country are the automobile manufacturers, meat-packing houses, makers of ready-made clothing, soap makers, breakfast-food

manufacturers, and biscuit and baking-powder companies. A number of products have been advertised continuously for over forty years, among them the Wheeler & Wilson sewing machines, Waltham watches, Gorham silver-plate, Coates' thread, and Sapolio, the trade names of which have gradually become so impressed on the mind of the public that they will ask for no other similar thing. However, this distinction would never have been achieved by these products had they lacked the basic elements of quality and utility which are essential to sustained demand.

Four Mediums Employed.—The mediums employed in general advertising, which are in a lesser degree followed in retail advertising, are:

Newspapers and Magazines.

Catalogues, Circulars, etc.

Street Cars.

Outdoor mediums, such as posters, billboards, signs, etc.

Each of these mediums will be considered in turn under its own head.

2. NEWSPAPER AND MAGAZINE ADVERTISING

Through its advertising columns or pages, the newspaper, periodical or magazine represents one arm of the great mercantile machinery of civilization, of which the manufacturer or dealer using such space is the other. By the cooperation of the two lines of enterprise the influence and prosperity of both are very greatly enhanced. Without the publisher and the possibilities of advertising which he offers, the merchant could not possibly obtain so great a volume of business, except by greater outlay of time, money, and effort; conversely, also, it is solely the immense size of the advertising business that renders possible the existence of a good percentage of newspapers and magazines. Even with the largest possible circulation, a first-class periodical could not earn manufacturing costs without the income it derives from its advertising.

The Newspaper vs. the Magazine.—Upon the character of the newspaper or periodical—indicating (a) the public which it regularly reaches; (b) the object for which it is issued; and (c) the editorial policy maintained—depends the question of its availability for special and general advertising quite as much as the size of its circulation. This is obviously true, because certain lines of merchandise sell better in one region than in another, on account of climate, social and other conditions; certain special lines of merchandise are more readily salable to one particular public, reached by a special or class publication, than to another, reached by some other special class publications, or to the unclassified public, reached by general mediums.

The determination of these considerations in a given case depends entirely upon practical experience. It is an open question with many advertisers as to which is the better medium, the newspaper or the magazine. Each is usually essential to the sale of all commodities, for a different method of impressing is employed in each. One article can be advertised in only one class of medium, while another fits into all. A newspaper is read by busy people. It lasts a day. The advertisement is set up within twenty hours of its publication or less. Its influence is local, but the newspapers of a given town, or series of towns, or of a given State, may be used to advertise an article in a given territory, either because the article is appropriate to that locality or because the advertiser wishes to limit his expenditure to that territory, in order to do special work there, for work may sometimes be better carried on State by State than all at once over the entire country.

The magazine offers many advantages that can not be given by the newspaper. It has a widely distributed circulation, reaching the whole country. It is generally printed on better paper. This permits of the use of attractive illustrations. More time and care being given to its make-up, the advertisements can be placed to better advantage. The magazine is published at greater intervals. This, together with its attractive appearance, in-

sure its being kept longer and increases the opportunities for the advertisements to be seen. Being published for the purpose of providing matter that is of interest from an educational or recreative standpoint, it is more likely to be read at a time when one is at leisure and in a highly receptive state.

Retail Advertisers' Use of the Daily Papers.—Daily newspapers derive the bulk of their advertisements from (a) retail advertising, as of department stores, specialty stores, etc.; and (b) classified advertisements, "want ads," etc. In addition to these, much of the remaining space in daily newspaper columns is occupied with the announcements by national advertisers of articles of food and commodities in daily use, which, in general, may be purchased of local merchants, or ordered through local agents.

Daily newspapers also carry considerable special advertising, more commonly found in weeklies and magazines, especially when special departments are conducted. Thus the weekly book departments of several large dailies run numerous book advertisements; while the automobile departments generally found in Sunday issues come in for a good share of automobile manufacturers' announcements.

Several urban newspapers, particularly those circulating largely in rural districts, run considerable mail-order advertising, generally, however, in the form of classified advertisements.

General Advertisers' Use of Magazines.—Magazines and other periodicals of a general character, running fiction, fashions, news summaries, critical and general articles, print the greatest quantity of general advertisements, being exceeded in bulk of matter only by certain successful trade papers which advertise only articles having distinct relations to their several specialties. Among such general lines may be mentioned, soaps, perfumes, foodstuffs, dry goods specialties, clothing, automobiles, jewelry, watches, and silverware. The reasons for the

great popularity of these mediums is that they habitually publish fiction and other reading matter of interest to the widest possible public, without political or sectarian bias, and their reading circulation is sometimes five or six times the actual circulation; and the advertiser should not lose sight of this fact in seeking publicity. Next to the general magazine, the home monthly magazine, intended primarily for ladies, is the most important from the advertising standpoint. Of the fifty-eight published in the United States one claims a circulation of 2,000,000, four of over 1,000,000, and only fifteen of less than 100,000.

The Country Newspaper.—The country newspaper is considered by good authorities to rank favorably as an advertising medium. It is subscribed for and read by the people immediately tributary to the town in which it is printed. Its relations with its readers are intimate and its influence is strong. A country paper with a small circulation may be worth more as an advertising medium than many times the same number of papers issued as a part of the circulation of a metropolitan publication. The metropolitan paper is read hurriedly by busy people, the departments that the individual is interested in are hastily scanned, and the remaining mass of pages is tossed aside and never looked at. The country newspaper is usually read thoroughly, and more than once, and its topics to its readers are of more vital interest than the fall of empires.

Cooperative Newspapers.—In small cities and villages where the expense of printing a four-page paper once a week is too great for profitable business, the "home prints," or "patent insides," are purchased ready printed by the publisher, who is then obliged to print one or two pages, as he may elect in his contract with the agency. This purchase of paper with one side printed enables the small weekly, at little expense, to give a synopsis of the world's news, with, perhaps, some added fashion and literary matter. The business of supplying these ready-printed insides—also outsides—has developed into an

extensive enterprise, in the hands of several large organizations in different parts of the country. This feature of publishing also supplies the advertiser with an additional opportunity for publicity at a smaller per capita cost than in regular mediums controlling their own advertising columns.

"The plan has made such progress that more than half the local village and country town papers have adopted it," says Mr. George P. Rowell. "Advertisers contract, at a central office, for combinations numbering fifty to five hundred or several thousand. One electrotype answers for the job and one man takes pay for the whole. The price per paper charged for advertising is so small that no individual paper, no matter how insignificant, cares to attempt to compete with it. Many advertisers assert that advertising in them does not pay; and many others declare that the local paper is par excellence the best advertising medium in the world. Probably the country weekly can not nowadays compete, in value and economy of service, with the greatest daily papers and the best magazines, but the man who uses the country papers at all makes a decided mistake if he does not use the co-operative lists first as far as they go."

The "ready-print" system was first devised by Andrew J. Aikens of Milwaukee in 1865. Owing to the absence of many printers at the front, several local papers sought the assistance of the "Evening Wisconsin," of which he was manager, in bringing out their editions. For this purpose he used the forms of his newspaper, as they stood in the chases, with eminently satisfactory results. The idea then occurred to him of regularly syndicating such "inside papers," together with such advertising matter as he could secure at space rates for this purpose.

Religious Periodicals.—Previous to the advent of the popular weekly and monthly magazine, the religious press was considered the best advertising medium, save possibly the daily newspaper. So long as denominational lines were strongly maintained, the religious weekly was the most widely circulated and most regularly and most

thoroughly read of all periodicals. Its statements were received with implicit confidence by its many readers and any article advertised in its columns had the best possible recommendation to prospective purchasers. Lately, however, owing to the relaxation of denominational restrictions leading to the establishment of the undenominational journal, and to the spread of the general magazine, the religious weekly has become more and more a "class" publication, and one not taken advantage of by extensive advertisers.

Notable exceptions to the general rule are found in a few religious journals, which have combined domestic and literary departments with the distinctly religious matter, or have transformed the religious element into one department only among several, thus to a greater or smaller degree approaching the standard of the general or the family magazine. Among such are the "Outlook," the "Independent," and to a considerable degree the "Christian Herald."

Religious weeklies include among their principal advertising items: (a) household articles, furniture, stoves, organs, carpets, etc.; (b) dress goods or stock varieties, ready-made clothing, toilet articles, soaps, etc., generally sold on mail-orders; (c) garden tools, seeds, poultry, etc.; (d) carriages, light wagons, and bicycles; (e) books—religious, musical and general. Some weeklies reaching the more prosperous classes contain also financial and insurance advertisements, and a few of those of the national advertisers. These, however, appear exceptionally.

The advertising worth of a religious weekly is thus summarized by Mr. Percy B. Bromfield: "Americans are the greatest newspaper and magazine readers in the world. Every year increases the literary output and augments the multitudinous army of readers in city and country. While all classes of publications share in this unexampled popularity, there are some which, for obvious reasons, secure a more permanent appreciative clientele than others. First and foremost in this latter class is the religious weekly. In the number, high literary character, broad evangelical views, and pictorial and mechanical excellence of its pub-

lications of this class, the United States leads the rest of the globe. These journals are conducted with ability, enterprise and breadth of purpose that carry them far beyond the boundaries of denominationalism and win for them a cordial welcome everywhere in homes of respectability and intelligence. They occupy a field that is exclusively their own, and there are countless thousands to whom they stand in relation so close, so cordial, and so trusted that no other publication could ever supersede them.

"But while this is true of the religious journal throughout the country generally, it is even more emphatically true with regard to its status in the rural districts. When we speak of the rural classes we refer to the vast majority of the middle-class homes throughout the country, where the people have time and money at their disposal and where religion is a factor in their life, the local church influencing society in all its phases, so that the religious paper is much sought and greatly appreciated. The publisher of one of our leading religious papers has often secured large contracts for advertising by offering to send the advertiser the names of his subscribers in any district in the United States with which the advertiser was familiar, and has frequently demonstrated, in the case of this publication alone, that there is hardly a town or village in the Union into which it does not find its way by annual subscription.

"Thus, in respect to its moral influence, the permanency of its familiar relationship with its multitude of readers of both sexes, and the implicit confidence it enjoys in that capacity, the religious journal possesses a power in the home circles of this land to which no other class of publication can ever reach. Its value to the advertiser, from a purely commercial point of view, is unequaled.

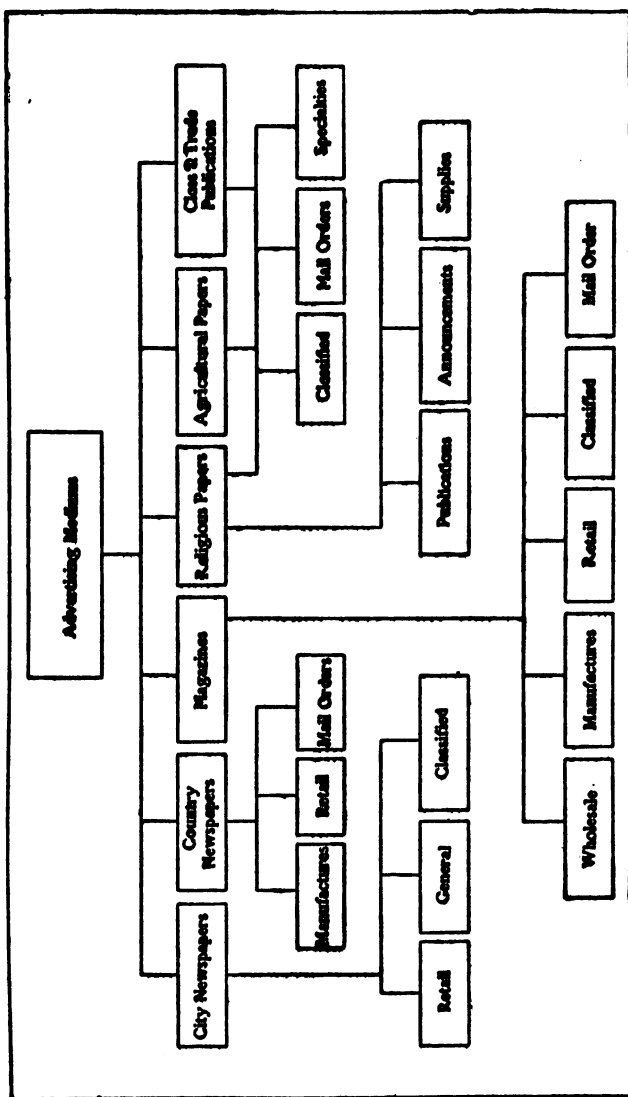
"Reliable statistics show that in this it leads all other mediums, and advertisers concede that it yields larger returns, in proportion to the outlay, than any other kind of publication. Given a popular religious weekly and an advertiser who knows how to present his wares attrac-

tively at the right time and with due prominence, and you have a combination that is irresistible."

Agricultural Periodicals.—The weekly and monthly agricultural journal has long been an important factor in the farm and home life of rural communities. As such, it has always had a definite advertising value, not only for agricultural tools, supplies and machinery, but also for household, personal and other articles, particularly those offered for sale by mail-order. As a medium for the general advertiser along these lines, these periodicals are ranked as near the best, since, when well edited, they are constantly read and preserved by farmers, and their advertising matter enjoys excellent opportunities to attract the attention of willing buyers.

"The advertiser who has the farmer back of him has fortified himself against probability of failure," says Mr Nathaniel C. Fowler, Jr. "The farmer may confine his reading, and so may his family, to the religious paper, to the local newspapers, and to the agricultural press, and some farmers who call themselves planters may read the magazines; but the great majority of them, whether they are rich or poor, do not regularly read the high-priced magazines, although their families are subscribers to children's and ladies' papers. Proportionately, there are few scientific planters, but there are thousands of intelligent farmers who handle farming as the business man manipulates business, and who use their brain as well as their brawn in crop making. These high-grade farmers are men of success and money, and they read all the agricultural papers, and to them particularly every advertisement is important.

"The narrow-minded advertiser considers agricultural papers fitted only to the announcement of agricultural implements, seeds, and other articles of farm use. It pays to advertise these things in agricultural papers. Farmers are human beings and live as others do, and they raise few things not intended for the inside of man. They must buy of stores or through the mail practically everything they need, wear or use, except eatables. As



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nearly every farming community is removed from large commercial centers, the farmer depends more than any other class of men upon advertised necessities and comforts. Anything that can be advertised in any publication, except that of the highest grade, can be advertised in the agricultural paper.

"Because the broad value of the agricultural press has not been generally recognized, with the result that few general advertisements appear in it, the opportunity is given to the advertiser of foresight to reach a class of people that have been neglected and have money to spend."

Class and Trade Publications.—The class journal may be (*a*) a trade or professional paper, published solely for practical men in its several lines; or (*b*) a paper confined to one particular subject, sport, interest or class, exclusive of all outside influences.

In the latter classification are properly found publications treating the widest latitude of subjects and things, such as athletic, educational, juvenile, labor, philanthropic, prohibition and temperance, scientific, general or popular, sociological, sporting, Sunday school, women's clubs and woman-suffrage. Such will naturally be judged available for general advertising matter, in any given case, on the basis of the class of people forming the bulk of the readers of the paper, and on the size of the paid circulation. Other class papers, such as the religious weeklies and monthlies and society and fraternal magazines, are similarly estimated by advertisers.

The trade paper as well as the professional magazine occupies a peculiar position as regards the general advertising business. Being intended solely for readers interested in the practical side of its specialty, its columns are available only for advertisements of materials related thereto, and of such general articles as are of use to the practical man in each particular line. Thus, a machinist's paper will generally contain, in addition to purely trade advertisements, matter regarding suitable working clothes or blouses, soaps specially prepared for removing oil and

grime, and such salves and dressings as are suitable for wounds resulting from accidents in the course of work. General advertisements are practically never included. The trade paper seldom has a circulation very much exceeding 20,000, but, because it appeals to a special class, it can readily fill its columns with related matter at a good profit.

The trade paper should be an important factor to any general advertiser. Reaching as it does the man who may not only consume the article but increase his income by selling it, the trade paper offers exceptional opportunities for presenting advertising arguments of a highly specialized character. While many manufacturers advertise in trade papers exclusively, the great strength of such mediums lies in their use for supplementing a general consumer advertising campaign. Suppose a manufacturer were placing on the market an article to be sold by retailers. Would it not be the best of policies to advertise in the trade paper read by that particular class of retailers? The general public may read the general advertisements of this article and create a demand which the retailer, in ignorance of the goods, may not be able to meet. The trade paper is, in fact, the best coadjutor to general advertising. It is necessary to procure the cooperation of the dealer if you want to reach the public.

Organizations publishing several trade papers offer advertising service to their advertisers; that is, they provide them with copy, designs, etc., which they know will be of service in their particular line, and advise them as to the use to make of such service in their other advertising. Thus producer, retailer, and jobber are harmoniously linked together, and distribution of the article advertised is rendered more assured.

3. CATALOGUES, CIRCULARS, ETC.

A well-known automobile salesman attributes most of his success to letting prospective customers personally run the car they are thinking of buying. They may know nothing about it before they reach the driver's seat,

but the learning and the new-found sense of control over a hidden and mighty power causes intense and long remembered interest. This method of "pulling the right wire" is purely psychological. This salesman wisely and with foresight put himself in his customer's place and appealed to him through what he thought would be of the most surpassing interest. The catalogue must have precisely the same sort of psychological appeal. It is the printed salesman—silent but persuasive. Advertising literature must be written and printed in the endeavor to cause the most intense interest therein, and the way to cause it is to work along the apparent line of least resistance in the brain to which the appeal is made.

Two Important Points.—In preparing the catalogue, which relies principally on a statement of facts, or the booklet which introduces a note of originality, care should be taken to be artistic as well as practical. Remember that what you desire is printed matter which will, first, attract attention; second, adequately represent the product it advertises; and third, bring results. Attention is attracted by an appeal to peculiar interests attractively presented. One's wares are best represented by careful workmanship and thought as to arrangement, type matter and display, so that the total will form a most convincing appeal to the receiver; and results are best obtained when the impression on the brain is most lasting.

No carelessly written, cheaply produced booklet will make the proper impression upon a customer. It will probably be flung into the waste-paper basket without even being glanced at. A cheap booklet is a waste of advertising funds. Much depends on the outer dress of the booklet so that it may act its proper part as the silent salesman.

That this important fact is fully appreciated by large and successful advertisers is indicated by the careful attention they give to the preparation of their printed matter.

At one time the president of the National Cash Register

Company desired a special circular prepared. He called a meeting in New York that was attended by several executives of the company, and also employed an advertising expert to consult with them. For three days and most of the nights these six or seven high-salaried men devoted their entire time to planning the circular. When finished it contained about sixty words, but it proved to be the most profitable piece of literature they had ever put out.

Typographical Make-up.—We have reached a distinctly new era in commercial printing. In place of the perfectly plain announcements, catalogue pages, and commercial forms of a generation ago, everything which now passes from the business firm to the customer is regarded as representative of the style of the establishment from which it comes. With the modern facilities for advertising, correspondence, mail orders, and delivery, printing is constantly becoming a more important factor in all lines of business, wholesale and retail.

It is in the commercial field that decorative printing has its greatest opportunity. Catalogues not only give information through text and illustrations, but are frequently the only visible evidence of quality. The large electric-equipment companies maintain efficient departments for the design and preparation of some of the best illustrated literature; and other manufacturers are not behind them. Progressive engraving and printing houses now maintain departments of design for the preparing, laying out, and designing of all classes of catalogues and illustrated literature. Without such definite control the work of any printing-office is likely to be characterized by a mixture of glaring ornament and crude and unbalanced color.

In design the advertiser rarely recognizes that unity of style with variety of detail is the fundamental principle of decorative art. Owing to the predominance of light-faced roman types, most successful designs are confined to light lines or outline treatments which are but slightly heavier than the text page. In forms composed in "Old

Style Antique” or black letter types, many strong decorative effects are produced by broad but simple borders. Florets and borders can be used to furnish decoration and accentuation for running head-lines and for breaking pages which would otherwise be monotonous. The type matter itself, arranged in panel forms, frequently outlined by rules, may be made decorative by the division of space into balanced proportions.

Use of Color.—Color has also an important part in the present-day development of decorative printing, and much can be done with rubrications, title pages and decorations thus treated. In addition to the standard red and black, orange, vermilion, gray, and white inks are to be found in many forms to which they are applied with special significance and good judgment. Fine cover papers not only add interest in themselves but form admirable backgrounds for decorative color schemes. There are some blacks, dark greens, olives, and various shades of grays and browns, which have strong decorative qualities. Many of the dark shades are used to excellent advantage as backgrounds for bronze, the use of which is also increasing in connection with the color displays. Other illustrative features in color may now be easily obtained, on account of the development of the “three-color” and “four-color” as well as the rubber offset process in printing.

Attention should be paid to the important part which lettering has in decorative printing. Classic lettering is one of the most important and yet most undervalued elements in decorative design. Catalogue and booklet covers and headings nearly all require lettering as the main feature of decorative work, and it is often hard to get lettering which pleases the most fastidious eye. The cover should be kept plain, if possible, and anything but involved or ornate.

Outlets Open to the Manufacturer.—There are several ways of distribution open to the manufacturer:

1. Direct to the dealer, as in the case of certain biscuit and soap companies.

2. Through their own retail stores, as in the case of several shoe companies.
3. Through independent, as well as own retail stores, as in the case of a great cigar company.
4. To customers direct.
5. By mail orders.

The latter method is rapidly increasing in favor with the large department stores and mail-order houses, and necessitates the use, first of all, of a good catalogue.

Catalogues.—Catalogues may be classified generally under two headings:

1. Informative.
2. Selling.

Catalogues of the first class are designed to follow up interest that has been created by advertising. They are most valuable to manufacturers of new or novel commodities and such articles as are high in price or render an extensive or complicated service that the average merchant would find difficult to explain to best advantage.

Mail-order catalogues are designed to obtain orders direct from the consumer. They are very explicit in every descriptive detail and generally include an order blank and specific instructions that make it easy to order.

As may be understood, the smaller retailer can not afford to print a mail-order catalogue, his profit, if any, being slight. Many large retail merchants and even manufacturers have been quick to realize the far-reaching importance of this invaluable assistant for stimulating trade in the smaller cities and rural districts. In America, the use of the catalogue has been so successful that there are, day by day, more and more firms employing it. A few firms who first realized the advantages to be gained by it have extended the distribution of their goods to innumerable homes in villages and towns scattered over the United States, Canada, Mexico, Cuba, and Porto Rico, and operations are being extended still farther South.

Says Mr. Herbert N. Casson: "There are in the United States fifty-five million people who live outside of our cities. All of them have money to spend. The farmers

alone are making seven thousand million dollars a year. There are forty thousand wood-choppers, seventy-five thousand lumbermen, and eighty-five thousand cattlemen and cowboys. It is from these that the mail-order men enroll their customers. Such is the fascination of a fourteen-hundred-page catalogue, spangled with thousands of illustrations, to people who live far from the department stores and theaters, that this postal commerce has become almost a national habit."

European merchants early realized the lure of the catalogue. Paris, Berlin, and London are centers from which catalogues are poured out lavishly over both hemispheres. In China and Japan, the business man has been quick to imitate, and there is no corner of the globe so remote the store catalogue can not be found, offering for sale the widest variety of household necessities and even luxuries.

House Organs.—House organs are small monthly or quarterly papers or magazines, largely composed of announcements of goods in stock and particularly good bargains, together with some good reading matter, poems, numerous selections and illustrations. They have long been considered effective mediums of advertising, and are much used by large retail concerns, insurance companies, manufacturers, etc. They can be made a powerful force in bringing large sales organizations into greater unity. The most successful automobile manufacturers use them for this purpose and also to keep car owners in touch with them after the sale has been made. The excellence of the literary matter insures perusal and preservation, thus securing lasting attention for the firm and its announcements.

Such "magazines" mailed regularly or occasionally to selected lists of names, or by request, are often considered the best kind of "follow-up matter." The value of the house organ depends upon the manner in which it is edited. Those that have been most successful have been edited with a view to helping the reader from both the business and personal standpoints. Sometimes the in-

terest in a house organ becomes so far-reaching that it is transformed into a magazine of general circulation. Notable examples of this are "Everybody's" and "Sunset" magazines.

Circulars.—It is the custom of large houses to issue a wide variety of small circulars and booklets, in addition to their regular catalogues. These stand in nearly the same relation to the latter as an "extra" does to a daily paper. They serve to freshen up the line, keep the customer in touch with the latest features of the house, etc. The advantage of a small booklet or leaflet devoted to one topic is that the customer's attention is centered wholly upon that, instead of being diverted to a variety of other things.

4. STREET-CAR ADVERTISING

Street-car Advertising has grown up with the spread of street railways, and has gained particularly large proportions since the introduction of the electric trolley cars. One of the principal reasons for its success is that the average passenger on the street or subway car has nothing to occupy his attention but the study of his neighbors. Even that is speedily exhausted. The advertiser stepped in to take advantage of this enforced idleness, in which the mind of the passenger in its unoccupied state was open to receive impressions of all sorts. From the first rough advertisements, inserted haphazard, a new and elaborate system of cards has been evolved, necessitating as much care in its control as any other branch of publicity. Nowadays such cars carry, in the space just above the windows on the inner walls, a row of striking, pithy, and interesting advertisements which can not fail to be seen and read by every one.

While it is often considered that the street-car card can only serve as a reminder to the reader of some article that he has usually seen widely advertised in some other medium, there have been notable instances in which local and even national advertisers have achieved success by using street-car advertising exclusively. However, it is

not the best of judgment to depend entirely on the amount of advertising to be had from card display. Also, it must be remembered that to a certain proportion of the public, a car card lacks that approval which appears to be given to any article by the appearance of an advertisement in the pages of a magazine, or high-class newspaper, the rest of whose matter seems to them to be inspired wholly by a desire for truth. Some magazines, in fact, guarantee the truth of all advertising statements in their pages, with an offer to make good all loss, if any should result. Newspapers, also, have become more and more particular as to the material which appears in their advertising columns. Street railway advertising companies have been quick to realize the force of such a guarantee and are both censoring the advertisements which they accept and advising the public of this censorship.

It has been estimated, however, that for every reader reached by a magazine advertisement, even in a publication with an enormous circulation, twenty can be reached by a street-car. In New York the annual passenger traffic of subway, surface and elevated roads, is estimated at 1,750,000,000, while in Boston the number of persons traveling yearly in cars amounts to 300,000,000. None of these can entirely escape the card advertisement. Here again, however, the car advertising has more of a local nature, unless the advertiser places contracts with car corporations all over the country, a state of affairs requiring an immense amount of capital and system.

Articles to Advertise.—One fact remains clear, that interest can be roused in a product by street-car advertising, provided the product is one which appeals as an article of universal consumption or use to everyone. The groundwork of the advertising must, however, be laid in magazine or newspaper, or other heavier advertising. The article to be advertised must appeal to every one. Such articles as food or drink products, household requisites, clothing and toilet requirements, should certainly be given publicity through this medium. On the other

hand, no one would dream of advertising in this way an electrical or engineering device not of general use.

A series of cards may be run in the nature of a follow-up, each containing some definite fact, or connected by some central idea, as to the nature of the article.

Contracts for placing such cards, each about 11 by 21 inches, are made with leasing companies. The charge for the display will, of course, vary according to locality, the usual charge being from 40 to 50 cents a month for each card. The cards may be furnished either by the advertiser himself or by the leasing company.

5. OUTDOOR ADVERTISING

Outdoor advertising includes: (1) printed and painted advertisements on walls of buildings, fences, rocks, sign-boards, etc.; (2) electric display signs of all kinds; and (3) miscellaneous methods. The third class can not be defined, as it is limited only by human ingenuity. It includes the use of advertising vehicles, floats, banners, devices, and persons. For instance, a patented bottle is advertised by a motor car shaped like the flask. A pickle company has various devices emblematic of this production. A meat extract company may use a bullock cart, and so on. Human advertisements may be used, either as sandwich men carrying boards advertising the goods, or dressed in some grotesque way so as to draw attention to the signs they carry. A sauce manufacturer sends out a string of men each inside of a papier-maché sauce bottle which exactly represents the real bottle. Theatrical managers employ this method. To advertise a play called "When Knights Were Bold," a number of armor-clad men were sent out promenading. Every circus parade is making use of this method of attracting attention.

Ground of Its Appeal.—It may be said that to a great section of the community outdoor advertising is the only kind that makes an appeal. To the man of little education, or little leisure, the swift message conveyed by a

poster or a device of flashing lamps is the only one. It reaches the class which never sees the magazine or the newspaper and the class that is too engrossed in its own business to see anything in another's. For this reason there should be something shown or said on the sign, brief and to the point. A pretty picture may tell a story, but it won't make the casual observer believe it. The poster is not merely a reminder, it should be as much as possible an independent argument for the goods, and one or two lines of cogent reason is worth the most decorative design in the world; if they can go together, so much the better. The poster should endeavor as much as possible to be timely. The fact that it cunningly works in a phrase, an episode, or character of the day, makes it interesting.

Painted Signs.—The painted sign on a fence or the side of a building has long been familiar in most civilized countries, but only within recent years has it been systematically handled on a business basis.

Formerly, the work was undertaken for the advertiser by painting contractors, who charged him a net rate of three cents per square foot for fences, and five cents for barns, guaranteeing the display for one year from date of painting. In most cases the sign remained undisturbed for two years, sometimes even longer, contractors usually refraining from painting over one another's signs, for fear of inviting reprisals in kind. Farmers generally were willing to allow signs to be painted on their barns and outhouses for the sake of a free coat of paint, and also on their fences, which were utilized along highways or along the line of railroads.

The average barn side presented an area of 1,000 square feet, and cost \$50 to paint. Forty or fifty such painted barns along 100 miles of railroad afforded exceptionally good publicity, with cost continually decreasing as they remained from year to year. Similarly, 1,000 square feet of painted fence would represent an expenditure of \$30, and when only the name of the article was displayed, an outlay of a very few hundred dollars would keep it constantly before the eyes of the traveling public.

With the development of advertising, however, fence and barn spaces were regularly rented from the owners, and the painted displays limited strictly to the period of the contract, generally one year. Substantially built sign-boards also appeared along the lines of the railroads and highways, and to a certain extent on vacant spaces in cities and villages. Such sign-boards were built in sizes varying from 200 square feet (20 feet long by 10 feet high) to 12,000 square feet (300 feet long by 40 feet high); the space being rented at the rate of \$5 per 50 square feet per month, for lettered signs, or at slightly higher figures for elaborate pictorial designs.

These rates remained substantially the same up to 1910 with such slight advances as were demanded by increased cost of painting, etc. On an average, a pictorial sign now costs \$6 per 50 square feet per month. Accordingly, on a railroad 100 miles long, on which trains are run at 40 miles per hour, a 50-foot sign to be visible every two minutes would require 75 signs, at an average spacing of 7,040 feet, and would cost \$450 per month, or \$15 per day. These terms, considering the amount of actual publicity represented, are not excessive, when compared with the average cost of advertising space in the larger magazines and weeklies.

The painting of these signs is largely in the hands of a few large companies who employ a staff of expert sign painters, whom they send all over the country; but in addition there are local contractors scattered here and there.

In cities every available building having a blank wall or towering over its neighbors is now being utilized for a painted sign. Many of them are done in profile, that is, with figures cut so as to stand in outline against the sky.

Illuminated Signs.—In order to have a continuous display by night as well as by day it is usual now in populous thoroughfares to illuminate the board with a border of incandescent electric lamps. Other forms consist of a design outlined in electric lights which come and go by the agency of a "flasher" that cuts off the current at regular intervals. The design may be so contrived as to

present something in action; a stream of liquor from a bottle to a glass; a woman whose dress seems to wave in the wind; trade-marks in action; or any similar device directly connected with the article to be advertised. Or again, a combination sign may be used, with flashing device, in motion or not, which presents the advertisements of several firms.

Often lettering alone is used. A framework carries a number of electric incandescent lamps so arranged that the words outlined change at regular intervals, to spell various sentences.

Average Cost.—In point of cost, painted signs or bulletins, except in the case of those of intricate design, or such as require an abnormal space or rent, or a heavy expense for electric current, compare favorably with other forms of publicity.

According to an estimate furnished by the O. J. Gude Co., seventy-four painted bulletins, several of them regularly illuminated, could be so disposed in New York City as to reach a daily public of 3,020,000 people for the sum of about \$1,500 per month, or \$50 per day, as follows:

<i>Location</i>	<i>Number</i>	<i>Circulation</i>	<i>Cost</i>
Broadway (14th to 125th Streets). Brooklyn, Williamsburg, and Queensboro Bridges.....	3 illuminated	700,000	\$450
On "L" railways.....	4 painted	480,000	180
Prominent driveways	6 painted	1,000,000	180
Residential districts.....	2 painted	100,000	70
Prominent railroads entering New York	35 painted	250,000	400
	24 painted	490,000	250
Total	74	3,020,000	\$1,490

Printed Bills or Posters.—Bills are either produced from wood blocks, aluminum or zinc, or in the simplest forms lithographed from stone. When the subject is pictorial, and accurate artistic reproduction necessitates the use of three or more colors, lithography is the medium of reproduction which must be used. Theatrical posters,

for instance, constantly use three to ten colors, and the advertiser who aims at presenting a picture of his goods, exact in size, color, and shade, must do so as well.

Lithographic posters vary in size from quarter sheets to twenty-eight sheets, the price varying correspondingly. The price, however, is based on the number of colors used, and the quantity ordered, the heaviest expense to the manufacturer being that of the drawing or photographing on the stone.

Bill posting, in the United States, is controlled by an association of about 3,000 members, incorporated under the title of the National Bill Posters and Distributors of the United States and Canada, their headquarters being at Chicago. Outside of the association there are not more than a half dozen independent concerns. There are over 2,000 towns and cities in the United States represented in the National Bill Posters' Association. All of these have local posting plants, on which a simultaneous display of a commercial commodity can be posted, approximately, on any given day that the advertiser desires to make his announcement to all of the people of the country.

This gives it an advantage over every other form of publicity except the daily newspaper, and it is so much cheaper than the latter that the advantage still lies with the poster for strictly seasonable products.

Until recently all bill-boards have been ten feet high, though they might be as much as a hundred feet long. The boards are usually built to accommodate four running sheets—the sheets being the standard unit of space, 28 by 42 inches; a four-sheet poster being 9½ feet in height and 42 inches wide.

Contracts are usually for a four weeks' display, and the cost is on the basis of so much per sheet per week, a varying schedule which makes a 24-sheet poster (ten feet high by twenty feet long) cost from \$1.68 per month to as high as \$3.84 per month in all cities of the country, excepting New York, where the posters are displayed on illuminated bulletins along Broadway at rates of \$100 per month per poster. As to the number

to use, the commercial advertiser usually figures, in a poster display, on a quantity of posters equivalent to one eight-sheet poster for each one thousand inhabitants.

Nature, Art, and the Advertiser.—It is not so long since the bill-boards were a canvas for all the nightmares of the palette; and not only that, but bill-boards stood in places where it was obvious to the veriest philistine that they were never intended to stand. Every rock on the hillside proclaimed the virtues of somebody's pills; every barn or old gabled house with claims to the picturesque glared upon the landscape with advice to the invalid and the sick man. It seemed, also, as if the advertising man had picked all the fairest of nature's beauties on which to ply his art. He was like a mischievous boy let loose with a pot of tar.

But presently this type of advertiser was surprised to find that he was annoying people, and that societies for his extinction were being formed. He was flattered by the attention, and it might have prompted him to further activity had he not begun to find that his wares were in danger of being boycotted. Municipal and State legislatures were beginning to take an interest in landscape and the city beautiful. It was time to inquire into the matter, and the advertiser did.

Another great improvement made in recent years is in the tone and quality of outdoor advertising, especially that of bill-boards. Crude, vulgar, or glaring displays are frowned upon and often suppressed. Poorly printed or lithographed sheets have been discarded, also, as the passer-by has become educated up to the other kind. The day has gone by when the cheap or blatant poster brings in business.

There is still a ruthless war being waged against the advertiser and the outdoor advertising agencies, but it is doing good. Artists, in the true sense of the word, are finding that they can speak to the public through the medium of a painted sign or poster, and that art for art's sake is not incompatible with the right kind of outdoor advertising.

City authorities are demanding greater conformity to the standard of artistic productions, and the days of the crude glaring poster are numbered. We have still many of them before our eyes, but as a whole the poster is improving.

6. WRITING AND PLACING ADVERTISEMENTS

It is possible to lay down only one or two general rules on preparing copy, for every article advertised must be handled in its own way and given its distinctive form of appeal. What is advertising copy? If looked at broadly, it covers every detail out of which the advertisement is built. But in reality it includes two divisions only—design and wording—usually found in conjunction, but which can be used separately.

Design, as used here, covers not only a drawing or photograph, but any distinctive arrangement or display of type, as apart from the ordinary reading matter. Nowadays it is an acknowledged rule of copy that the representation of an advertised article should be made always desirable.

The Advertising Manager.—The writing and placing of all copy, where there is a considerable amount of it, should be in the hands of one responsible head. Every large business and almost every publication has an advertising manager, sometimes with writers and artists in his employ. This position is as attractive and as lucrative as any in the business world. The qualifications of an advertising manager are somewhat like those of a politician, for besides being a successful salesman and thoroughly grounded in the science of selling, he must be a good judge of mediums, and the taste of the public. Last but not least, he must know good copy when he sees it.

What is Good Advertising Copy.—Over this disturbed question there has been much discussion, but out of it all have come several generally accepted factors of compo-

sition. The first and last thing to remember is that one is writing to *sell*.. When that has percolated into every pore, one can commence to write. Then follow four great essentials which must never be lost sight of for a moment :

1. Securing the attention.
2. Holding the interest.
3. Conviction.
4. Action.

Any advertiser who takes space merely to fill it with a humorous picture or amusing jingle is wasting money. Neither will create a demand for his wares. It may create attention; it probably will. In the case of an article which has been in use for years, whose merits are known to all, there is no harm in this use of humor. The merely pictorial advertisement of a well-known soap did itself no harm by the picture of the unshaven tramp who "ten years ago used their soap, and since then had used no other." On the contrary it probably brought back people who had forsaken this for some other brand of soap. A great pickle manufacturer set out to advertise his products with pretty pictures, but suddenly veered round to "reason-why" copy. It is no longer a question of keeping one's name before the eyes of the people, it is the schooling of them in the art of economic buying that must be the aim of the modern advertiser. If the advertisement does not interest and convince the reader sufficiently to cause him to try to obtain the advertised article it has not performed its function. It is not a salesman: it is an amusement caterer. Still, in conjunction with interest and conviction in wording, there must be something to attract the eye. Let your caption be kindred to the matter following. Any caption which disappoints the reader is apt to make him throw away the advertisement in disgust. You can not afford to lose even one reader nowadays.

The Lure of the Catch-phrase.—An agency for specialty houses or specialized lines frequently pays a hundred dollars for a name or a catch-phrase. But some of

the most widely advertised and successful names were invented in the companies' offices. Catch-phrases are innumerable. Competitions for them used to be very frequent, but with the steady decrease of word-juggling in the business they have practically gone out. Sometimes the advertiser offers a well-known writer or humorist a goodly sum for half-a-dozen pat words. "See that hump?" is one of the oldest catch-phrases, but it is rapidly becoming only a legend, since the firm which originated it has practically forsaken it for another line of advertising.

The "clever idea," like "Sunny Jim" and "Spotless Town," is not nearly as popular nowadays as it used to be, probably because it has been proved to be not particularly profitable. Advertising, indeed, has grown soberer with age, and rarely now is there a subway or street-car journey enlivened by mere cleverness. The "Campbell Kid" as the embodiment of sheer joy is of a vanishing race. "Cut out all foolishness," is the word in more than one agency. Even the "smile that won't come off" is no longer considered happy advertising; for psychology, or imagination, or something else which shapes the policy of the advertisement nowadays has insinuated that a permanent smile is suggestive of idiocy, and that it is more likely to estrange than to seduce the discriminating buyer, who is conscious that he rarely assumes one even in the face of the perfect cereal, or collar button, or stove polish, or safety razor. What has turned out to be probably the best catch-phrase ever invented has not the slightest trace of cleverness or humor. It was the product of an accidental circumstance seized upon by a quick brain. One day an employee in a Cincinnati soap factory beat a batch of soap too long and apparently spoiled the whole boiling. It turned white and floated. There was a man in the firm who thought that white soap which floated might prove very attractive in the region watered by the muddy Mississippi and its branches. He rechristened the soap, overbeat every batch, and "it floats" has doubtless been responsible for tremendous sales.

If you have a picture, let it have some connection with what is going to follow. Hold your artist in leash, that is, unless you are doing something, as a poster, which does not demand so much of the reading eye, but rather the distant eye. The caption then will come from the article itself, and it will be of such a nature that it will reach the particular people you seek to attract.

Holding the Interest.—Having drawn the attention of the reader to the advertisement and made him read your caption, how are you going to hold his interest? Do not fly too high for him, or he will not understand you. Do not underrate his intelligence or he will become contemptuous of it. But be simple and sincere. Be brief, but not as if you were writing a series of epigrams. The language must be such that it causes no effort in the reading, and that it may go right in without assistance.

You may work it along "reason-why" lines, or along "imperative," but in either case your final sentence must be a "clinch," something that rouses the reader to activity. You have up to now been interesting him mentally, you want to inspire him to action—to instil in him the buying impulse. He need not rush off and buy; no, but he can be advanced a step toward buying by writing for further details or in some such way. The spark is kindled and can be nursed to flame by follow-ups always in the same strain of sincerity and information.

Two Kinds of Copy.—Copy may be divided into two kinds—the *reason-why* and the *imperative*. In order to write copy which will advocate the use of a certain commodity, in a logical and convincing manner, it is necessary to know all the outs and ins, properties and qualities of the article. Also, it is absolutely necessary to get in touch with the sales department, for that and the advertisement are brothers in arms. Then having gleaned all that is worth knowing, it is time to evolve the copy on a basis of positive information. Every piece of advertising that is worth while is "reason-why" copy—it gives a reason for buying.

The "reason-why" copy was first introduced by John L. Powers into the Wanamaker business and made it famous. It gave arguments, facts and figures in familiar tone calculated to inspire confidence in the reader. It was a heart-to-heart talk, and it proved tremendously successful. In this kind of appeal, the copy writer should not, if he is wise, attempt any linguistic fireworks. It is not the clever, the epigrammatic, the "smart" advertisement which does the work. The reader may smile, but it creates no buying impulse in him, and he only remembers the phrase or picture as he remembers a good story. This form of advertising means so much waste. Therefore it is bad advertising which aims at selling goods with the least expenditure, but without building up permanent trade.

Another important point is, do not overcrowd your copy with reasons. If you have many, use only the best. Keep some for the next piece of copy, or throw them away altogether. Remember that one powerful argument rightly used will stand a lot of wear and tear, and do more good than a number of startling surprises. Just how many reasons should be used in a piece of copy depends on several things, such as the space allotted, the nature of the article advertised, and the class of purchaser to whom it is desired to appeal. Thus a reason which would appeal to the housewife may seem absurd to the business man, and *vice versa*. There is a nice discrimination in selecting the proper argument.

The imperative copy relies on boldness of design and directness of statement. It is the method of the auctioneer rather than of the salesman. It is short, snappy, and conveys the "do-it-now-or-never" impression. The name by which it is usually known is the "bull's-eye" method, from its going straight to the center. Some concerns aim at publicity, others at educating the public. Those who use the "bull's-eye" system believe that their product is known, and that all that is required is a reminder now and then. But, it may be suggested, however large a clientele one has, it can always be added to by educative methods. The maker of motor cars, for example, does not sell one,

like a cake of soap, weekly to the same person. He must always be looking for a new purchaser. The advertiser using the "bull's-eye" method examines the various points of the article, and in each piece of matter loads his weapon with one or two and drives his shot straight home. He wastes no words. He prunes his copy mercilessly, and what is left should be enough to create the desire to know more.

Truthfulness in Advertising.—One of the most successful retail stores in this country has the following to say in regard to the important element of truthfulness in advertising:

"It is our intention that every advertisement published under our name shall be absolutely true and correct in every particular. It is further our desire that the employees in the house, as far as possible, become familiar with the advertisements as rapidly as they appear, so that questions asked them by the customers may be answered intelligently, whether the goods referred to are in their sections or not. In order to draw many critical eyes to our advertisements and, furthermore, to give double interest in the reading of same by all employees in the house, we hereby offer one dollar to the employee who will first call our attention to an error (other than typographical) in any of our advertisements. Errors will be considered as such:

Where there is in any way an exaggeration.

When the price is wrong.

When a word is misspelled.

When the advertisement is grammatically incorrect,
or

When a false statement occurs."

The Psychology of Appeal.—The direct appeal of any advertisement is primarily to the eye and includes the illustrations, the clear, adequate type and the artistic spacing. It is important to arouse interest at the first glance. But it is not enough that the page attract the eye alone. By the method of its wording it should stimulate

the senses that are pleasingly affected by the article advertised. Thus, the advertiser of a musical instrument should describe it so exactly that the reader should hear its *tone*. A food product must be so written of that the reader fairly *tastes* the dainty. So, too, with soaps, perfumes, etc., the reader must be brought to imagine he *smells the fragrance*. In advertising a garment, its comfort, touch, softness must be played up. Avoid irrelevancies. If you are pointing out the qualities of a piano, do so only as explaining its super-quality of tone, etc. If you are directing attention to the health properties of food products, take care not to make them medicinal and scare off the reader with the idea that the article is part of a sick-room diet.

How the Modern Retailer Advertises.—The time has gone by when it was believed that a staple article sold itself mechanically, and that the demand for it never fluctuated. Now competition has made it necessary to hold out the dangling bait of a better article or a lower price. After all, however, it is the most convincing, not the loudest, advertiser who wins. To be able to say what he wants, the advertiser must devote a proportion of his profits (1) to obtaining the services of an expert to direct the operations, and (2) to laying out the appropriation to the best advantage.

The advertising manager should be merely the organizer of the campaign, with assistants in the mechanical department of this work, so that he may be able to give his whole attention to the big things, not the petty details. The heads of departments should be at his service for the furnishing of information, and his office should be so situated that he may be in easy communication with them. Much depends on the cooperation of the department heads, for it stands to reason that no man, by himself, can turn out a page of detailed advertising daily.

Steps in Making up Copy.—The head of the department, or, in the largest stores, the buyer, selects some article for the leader, which he thinks can be cut down to

cost price or below. He then prepares his copy and prices, which are sufficiently low to attract a crowd, and in this connection it may be pointed out that the bargain is usually a lure to draw customers inside the store. Of course the customer can buy the wonderful chair or suit which is being almost given away, but it will be strange if he or she does not invest in other things at the same time.

Copy is then placed in the hands of the advertising manager, who selects what he intends to use the next day. If for a morning paper, copy should be prepared early in the preceding day, and suitable cuts obtained. These may be photographic, but line, crayon or stipple drawings are generally most satisfactory for newspaper work, the cuts from which can be made in a rush in four or five hours. It is best, however, to give, if possible, a full twenty-four hours to the engraver. He will appreciate it and give better results. Having his copy and drawings, the advertising manager then prepares a "dummy," showing the proposed arrangement of his full page or three columns, or whatever it may be, of display. The leading article is selected and placed in the position of honor, and the advertisement is built up exactly as it will appear. To keep the printer right, the styles of type should be indicated all through, with explicit notes as to rules, ornaments and borders. Each article or line of articles should be provided with an eye-catching head-line and a few words of interesting talk. The more interesting and original it is, the more influence it will have on sales. Above all, prices should be prominently displayed. It is the lowness of price, even more than the quality of the article, which really exerts such magnetism.

Placing in the Medium.—The copy is then sent to the printer. Some large stores do their own printing, and the copy is set up and a proof run off. When this is corrected, a stereotype "matrix" or a papier-maché impression is prepared. This matrix is sent to the various newspapers or periodicals in which insertion is desired, and can thus be put in without delay in typesetting, proof-

reading, etc., the advertisement appearing in perfect duplicate in every newspaper.

Where the newspaper or periodical is to set up the advertisement, the advertiser is furnished with a rough proof for correction and approval; and it is only upon receipt of this "O.K.'d" proof from the advertiser that the publisher is authorized to run the advertisement. If the same copy is to be run in several mediums simultaneously, it is a wise plan to have one of the publishers set it up in advance and pull several proofs. These can then be used as copy for the other papers, thus insuring good style and uniformity. Advertising agents, also, will undertake to set up and submit such printer's proofs for a customer.

7. AGENTS AND CAMPAIGNS

The general advertising agent performs a strangely double function. As the agent of all newspapers and magazines in the country, it is his duty to the publishers to secure advertising to fill their pages, the commission being from 10 to 15%; as the adviser of the advertiser, it is his duty to direct his energies in the proper direction, to allot the appropriation to the proper mediums, and to fix the amount of money to be spent on publication advertising.

It will thus be seen what an opportunity is given him to limit an appropriation to mediums from which commission is sure to come.

Origin of the Advertising Agent.—The origin of the agent was simple. At first it was found convenient to place the details of corresponding with newspapers, arranging rates, writing advertisements and seeing to their proper insertion and general style in the hands of some one who could systematically attend to them. The newspapers sold space to the agent, who sublet it and pocketed the difference as commission. As business increased, an agent not only furnished lists of newspapers and rates to advertisers, but also helped them to prepare the wording and design of the advertisement, and from the humble

position of a newspaper broker of space, the agent blossomed out into the advertising specialist.

This resulted in a singular condition of affairs. For a time the advertising agent as the publisher's agent sold space at the highest rate, when as the advertiser's agent he should have been endeavoring to buy it at the lowest. It was selling and buying at one and the same time. True, large businesses were built up by the advertising agent, and magazines were developed through his efforts, but the advertiser usually paid in the final analysis.

The service rendered by the agent is important to both publisher and advertiser. As adviser to the advertiser, the agent plans advertising campaigns and supervises and carries them out, thus protecting his clients from pitfalls and costly errors. By guarding beginners from disappointment and failure, he insures their continuance as permanent advertisers, and makes it possible for them to increase their advertising appropriations from year to year. With increasing appropriations, more space is used in the old mediums and new ones are added to the list. No agent can honestly advise his clients to use all of the mediums willing to pay the agent's commission. For this reason, it would seem more logical that the advertiser pay the agent's commission or fee, but some advertisers have no adequate appreciation of the value of the agent's services and are unwilling to do this.

Within the past few years, however, advertisers are coming to realize more fully the value of expert advertising and sales advice. Many business men prefer to employ an advertising counselor who has no affiliations or agreements with any medium. This has developed a new profession known as that of advertising consultant. Some advertising consultants advise with as many as ten or fifteen manufacturers and in some instances receive as high as fifteen thousand dollars a year.

The Modern Agent.—In recent years the agent's service has assumed a broader and more useful aspect. He sells advertising service to the advertiser, is paid only by the advertiser, deals with publications only as the agent of

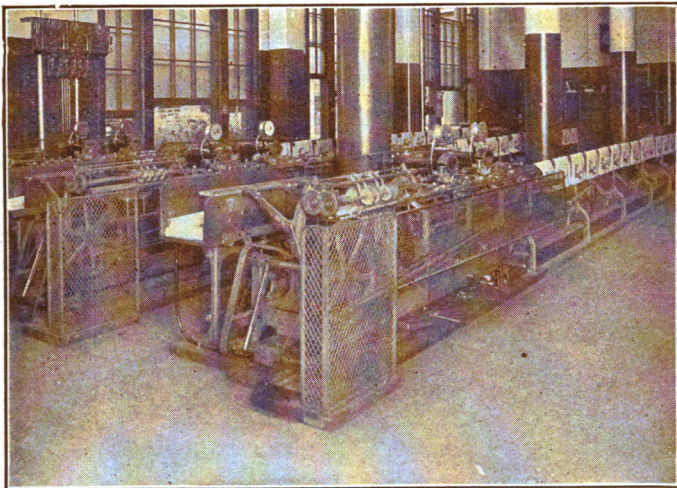
the man who pays him, and gives his employer all the advantage he gets in the way of lower rates. His income comes from the fees of the advertiser and from no one else. His relation to the advertiser is like that of a lawyer to a client, and it is also a confidential one.

If the advertiser wishes to make the agent a valuable factor in his business, he must not hesitate to entrust business secrets to him. The agent, if he is to give the proper service, must be told the volume of business, margin of profit, territory being operated, arguments used by salesmen, and all the other aids to good advertising. As an expert, the advertising agent must know all the details of advertising from one end to the other, including the mechanical, such as printing, engraving, type, color work, etc.

The modern advertising agent plans the campaign, and in most cases employs a staff of copy writers and artists to carry out the designing of the advertisement. He generally determines the places, mediums and manner in which the details of the campaign shall be employed and oversees all copy before it is set up, making necessary suggestions.

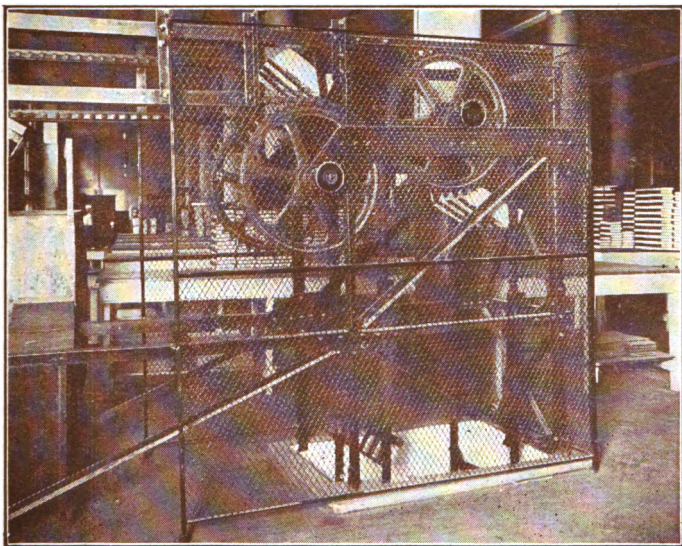
Most of the magazines and papers do their own soliciting of advertising, and the intermediary is no longer an absolute necessity. Consequently many abuses are gradually dying out, and the agent who renders honest service is meeting with the appreciation and support of both publisher and advertiser.

The Advertising Campaign.—The maker of a new food product, for example, who wants to put it on the market, faces the problem of advertising in all its seriousness. The campaign must be arranged so that the selling force can follow it up and clinch the sales, and any plans made must rest upon a knowledge of conditions of trade, and the efficiency of the selling force. The advertising expert is not infallible, and the campaign which succeeded once may fail the second time. What is wanted, therefore, is knowledge of the class of people whom it is desired to reach, rather than a book knowledge of advertising. The



Screening Entire Front of Machinery

The operator's clothing can not come in contact with the mechanism



Safeguarding Openings and Sprockets

The large revolving sprocket wheels and the opening in the floor are completely guarded

success of a scheme is not to be measured by instantaneous returns. There must be a steady hammering away. No returns is not failure, and only after about a year can any definite idea of the value of the advertising campaign be obtained. It is continued effort which counts, not haphazard trial of one medium after another for only one time. Good advertising is cumulative in principle.

The first step in marketing a new food product is to name it. If the product is one which has no highly distinctive feature, but is merely a variation of an already existing product, a good trade-mark should be prepared. This, when displayed in various forms in publications, soon becomes known. If, on the other hand, there is reason for a "reason-why" talk, it is best to allow the reader to discover the nature of the advertisement, and not to scare him off by a waving of the trade-mark flag which he already recognizes. He is apt to pass it over for something new.

The package or series of packages for containing the product is highly important. If there is anything valuable from a hygienic point of view in the wrapping, it must be played upon. The ubiquitous "Uneeda Biscuit" owes much of its success to its dust-proof covering. The price must be fixed, so as to allow for selling cost as well as fluctuations in the price of the raw material.

Problem of Mediums.—The problem of mediums then presents itself. Some of them have been explained but there are others kindred to them. There are open to the advertiser the following varied channels:

Newspapers.	Premiums.
Magazines.	Window Display.
Trade Papers.	Window Cards.
Street-cars.	Booklets.
Bill-boards.	Circulars.
Electric Signs.	Form Letters.
Distributed printed matter.	Show-cases with the name of the firm.
Theater Curtains.	Follow-up Letters.

In the actual selling this must be reenforced by replies to correspondence, information to jobbers and retailers and their salesmen, demonstrations in stores, enclosures in packages, and a distinctive form of package.

The advertiser must use, if not all, many of these mediums; and it is a matter for consideration as to which will be most worth his while. Only by a searching study of the conditions of the trade can anything approximately definite be arrived at.

In the case of a food product, the manufacturer might get the support of the storekeeper who reads the trade paper. When he is educated it is time to get at the public by general advertising. Once the public feels a craving for the article, the storekeeper is ready to supply it, and the various other mediums can be used to keep the want in active operation.

Who Pays for Advertising.—Perhaps no subject has been the cause of more confusing and heated discussion than this. On the one hand it is said that the cost of advertising is paid by the consumer and that it is therefore an additional cost that increases the cost of the goods. The opponents claim that the advertiser spends a part of his profits to increase the sale of his product and to insure stability of demand for it. In a general way both claims are right. All selling costs are figured in the price that the consumer pays. However, the history of advertising proves that the successful advertiser either increases the quality of his product or decreases the retail price. In some cases he has been able to do both. The unsuccessful advertiser is a negligible quantity as he is soon out of the reckoning. It may occasionally occur that some manufacturer may temporarily create a demand for a product which allows him an excessive or unreasonable profit; but competition soon destroys a condition like this.

The World's Advertising.—An Englishman with a fondness for statistics has reckoned the cost of advertising done annually in all the leading countries of the world at \$6,000,000,000. Which, in view of the fact that advertis-

ing is no longer done by guesswork, but is based upon an assurance of a profitable response, goes to indicate faintly the magnitude of the returns yielded by advertising.

It is undoubtedly true that the total advertising of this world runs well up into billions of dollars. It is equally certain that the expenditure for this purpose is greatest where productive industries and trade are best developed and most fruitful. Advertising and progress go together.

They fare alike the world over. Indeed, the most impressive and complete proof which can be asked of the tremendous power and immense value of advertising is the fact that the business standing of nations corresponds closely to their use of commercial and industrial publicity.

V

SELLING

I. CHANNELS OF DISTRIBUTION

The Distribution Problem—New Phases of Competition—Methods of Distribution—Raw Materials—Manufactured Goods: 1. *Unbranded Articles*—2. *Trade-mark Merchandise*—Price-cutting Problem—Three Channels of Distribution: 1. *Through Jobbers*—2. *Through Retailers*—The Exclusive Agency in Retailing—3. *Direct Selling to Consumers*—(a) Over the Retail Counter—(b) By Mail-orders—(c) By Agents.

2. RETAIL SALESMANSHIP

Value of Store Service—Good Salespeople the Best Advertisement—Qualities Needed in Salespeople—Rules for Salespeople—Hints to Beginners—Stereotyped Phrases—Punctuality—Absence—Courtesy and Willingness—Courtesy to “Lookers”—Personal Incentive—Rules of Behavior—Politeness Over the Telephone—Importance of Legible Writing—Addresses—Returned Goods—Exchanges—Promises and Guarantees—Purchases Sent Collect—Some Don'ts for Employees—The Employer's Relation to the Employee.

3. SELLING BY MAIL-ORDER

1. *Retailing by Mail*—Keying Advertisements—Catalogues—Distribution of Catalogues—Selling by Catalogue—Method of Payment—Business on Trust—Follow-up Letters—2. *Wholesaling by Mail*—Advantage to the Retailer—Baits for Trade.

4. THE TRAVELING SALESMAN

(a) *The Salesman Classified and Described*: Two Classes of Salesmen—What Constitutes a Good Salesman—Enthusiasm—Politeness—Determination—Confidence—The Value of Dress—Knowledge of the Goods Essential—“Do Not Knock”—The Mat-

ter of Reading Character—Knowledge of Human Nature—Summing Up His Requirements—Some Legal Points Every Salesman Should Know—Authority—Hotel Rules and Laws—(b) *Making the Sale*: Acquiring Information—Getting in Touch with the Customer—An Illustrative Anecdote—The Personal Equation—Saying the Right Thing—Demonstrating the Goods—Clinching the Sale—Saying Good-by Gracefully—(c) *Advertising and the Salesman*: Harmony Necessary—Bond of Connection—How the Salesman is Helped by the Advertiser—(d) *The House and Its Salesmen*: The Spur of Competition—Evening up the Salesman's Chance—Keeping in Touch with the Salesman—The Troublous Question of Expenses—The Encouragement of the House Organ—Personal Letters—Training the Salesman—Stage One of Training—Stage Two—Stage Three—Expert *vs.* Amateur Methods—How the Salesman Should Act Toward the House—Keeping the Expense Account Down.

5. SALARIES AND COMMISSIONS

1. *The Straight Salary*. 2. *The Straight Commission*—Danger of Commission System. 3. *Salary and Commission Combined*—The Bonus.

6. LEGAL POINTS FOR SALESMEN

What Constitutes a Sale—The Offer—Acceptance of Offer—Fraud—Consideration of Price—Subject of Sale—Delivery of Goods—Acceptance of Goods—Non-acceptance—Payment of the Price—Action for Price—Stoppage in Transitu—Warranty—Breach of Warranty Regarding Quality—Carriage and Shipping.

V SELLING

I. CHANNELS OF DISTRIBUTION

THE fabric of civilization is woven out of sales. Civilization in its highest conceivable refinement inevitably presupposes a constant and universal exchange of perfectly balanced values—art for its full measure of approbation, scientific achievement for its fit reward, physical merchandise for its real and established worth in terms of money or other medium of exchange.

The Distribution Problem.—The heaviest penalty of achievement is the need of keeping pace with the results that flow from it. Man-made machinery began to produce merchandise in such unprecedented bulk that the distribution of goods assumed the air of an impossible task. Out of that quandary there emerged two new sciences in their full dignity—advertising and salesmanship. Transportation facilities promptly took on heroic proportions and the new business cycle was completed. The manufacturer could now call the world his market, challenge his insatiable machines to do their utmost and call upon advertising and selling to preserve the balance between production and distribution.

New Phases of Competition.—How well the genius of distribution has attended to his particular task is manifested by the active and, at times, bewildering aspects presented by latter-day competition. Much remains and always will remain to be accomplished in the field of production, new machinery always setting a fresh pace for rival manufacturers, and the consuming public constantly

becoming more callous to necessities of to-day which were the luxuries unattainable of yesterday.

But production is largely a matter of machine efficiency; it has attained a measure of standardization and, in point of competition, presents but an iota of the difficulties that beset the ways of competition in distribution. The one is simply a competition in excellence of articles, susceptible of analysis in the machine shop or the laboratory; the other augments this rivalry of tangible merchandise by considerations of transportation, trade customs, all manner of discounts and the like; and further presents a bewildering conflict between a myriad human minds, no one of which is identical with another in respect of ability, training, and temperament.

Methods of Distribution.—The character of a product necessarily determines which of the many channels of distribution it must traverse in its journey to the consumer. The events attending the transition of material from the raw to the finished state come properly under the head of production or manufacture and so do not concern us here, excepting as they bear upon the subsequent journey from the producer proper to the ultimate user. Thus for the purposes of this work the operator of an iron mine will assume the aspect of the producer's advance agent. The real producer is the manufacturer who transforms the metal into watches, harvesting machines, and other finished articles of commerce. After the manufacturer comes the market, with its host of salesmen, middlemen, and consumers.

Raw Materials.—Before pursuing our subject into the broader market lying between manufacturer and consumer, it is well in passing to observe the peculiar conditions affecting the course of certain raw materials on their way to the manufacturer. The wheat industry will serve to illustrate. The problem here is to acquire raw goods in great bulk for the use of the manufacturer, who in this case is the miller. Here we have a peculiar type of middleman known as the speculator. He it is who gauges

the coming demand and buys the raw material in anticipation of rising prices. In this trade we have the spectacle of huge elevators serving as clearing houses for the crops of innumerable farmers. In these elevators the grain can be stored for long periods without deteriorating, can be graded and classified and made ready to be shipped upon call to any part of the world. In this particular field the speculator is the dominant factor. The farmer is glad to dispose of his crop at a certain price and thus avoid the risks of price fluctuations. Thus wheat, cotton, and tobacco exchanges, each with its special rules and limited membership, form a market of raw products, a market infinitely removed in character and scope from that of manufactures which are finished and ready for consumption.

Manufactured Goods.—Here the problem concerns the widest and most economical distribution of finished products, rather than the centralization of raw materials for purposes of mass production. In this market competition, keener and more vexing from year to year, may be said to divide manufactures into two distinct classes, each subject to its own peculiar trade customs and code of business ethics.

1. Unbranded Articles.—This class embraces all manufactures marketed without a distinguishing mark of maker or other means of later identification. In many cases jobbers or retailers sell these articles with their own marks affixed, the impression being thereby conveyed to the ultimate purchaser that these jobbers or retailers either operate their own factories or have the goods made according to their specifications.

In this field the real manufacturer is concerned only with satisfying the middleman. Inasmuch as he makes no effort to engender popular knowledge of his own name, he relegates the consumer to the care of the jobber or retailer and has no interest in his goods once they have left his factory, beyond the natural desire that they meet with the approval of the immediate purchaser.

2. Trade-mark Merchandise.—Many manufacturers choose to stimulate their sales and perpetuate their products by direct appeal to the consumer, while taking advantage of the middleman to distribute the goods. These producers identify their merchandise by attaching or imprinting the firm name or a trade-mark chosen for the purpose either to the goods themselves or to the carton or other container enclosing them. National advertising, backed up by solidity of merchandise and efficient selling methods, has virtually forced the middleman to handle this class of goods. The matter of quality and satisfaction, so far as trade-mark goods are concerned, thus becomes an issue between producer and consumer, the middleman registering the results of the decision by repeat orders.

The good-will adhering to trade-mark goods of wide reputation has within the past few years been repeatedly advanced as the foundation of a new code of business ethics. It is natural that jobbers and retailers should be tempted to avail themselves in some manner or other of the prestige of such merchandise.

Price-cutting Problem.—The moral right of manufacturers of trade-mark goods to name and enforce the resale selling prices even after parting with title in the physical merchandise has in recent years developed into a trade problem of considerable importance. Many producers of such goods argue that the resale of trade-mark articles at less than the price advertised by the maker injures the trade name of the maker and creates a doubt in the public mind as to the real value of the merchandise.

It is further pointed out that the business of jobbers and retailers generally is adversely affected by price cutting on the part of their competitors, who, by selling at sub-standard prices for temporary advertising gains, injure and sometimes destroy the market for this class of goods at prices that would yield a logical profit. In many quarters it is urged that the right of producers of trade-mark articles to set and uphold their resale prices be universally recognized in order that fair profit be con-

served in all stages of merchandising. There are some, on the other hand, who protest that the good-will inherent in a product does not entitle the maker and owner of a trade-mark to control resale prices, once he has parted with title in the physical goods. These latter assume the privilege of selling popular brands without profit as an advertising measure and hold that any harm done the maker or rival merchants comes within the scope of natural competition.

Three Channels of Distribution.—Distribution was formerly largely confined to jobbers, but to-day it is of three kinds:

1. Through jobbers.
2. Through retailers.
3. Direct to consumers, or users.

In reply to the question of what should be considered in determining the best mode of distribution, Mr. Clowry Chapman says:

"In determining what is most suitable in a particular case, the product or commodity, its package, and the extent and intensity of the probable demand must be taken into consideration. What shipping facilities should be provided; whether the article should be sold on credit or for cash, or for both credit and cash; or if on credit, whether it shall be granted on open account, or be secured by notes and liens, are questions also entering into the problem of distribution. Flowing out of these questions will come details of bookkeeping and of factory, office, and field organization; and underlying the whole problem must be a thorough understanding of human nature. This should be supplemented by statistics regarding the population of the place where the trade is to be developed, its industries, earnings, and living expenses per capita, geographical and climatic conditions, modes of living, education, extent and cost of transportation; and if the distribution is through dealers, statistics regarding their location and number should also be considered." These statistics can be secured, in whole or in part, from the census reports, from the commercial agencies, and mis-

cellaneous statistical publications, among them being "The Mahin Advertising Data Book." Many publishers and other sellers of space, as well as advertising agencies, have compiled statistics which are valuable at this juncture. These statistics are based upon average conditions, and it is necessary to strike an average in order to successfully exploit and sell a product or commodity.

1. Through Jobbers.—In some fields of merchandising the jobber undertakes the entire distribution to retailers, the manufacturer in most cases cooperating with both jobber and retailer by national advertising and sales helps of various kinds. There is a growing tendency, however, among manufacturers to sell both to jobbers and to retailers, the added selling costs being justified by a more complete distribution and by the maker's measure of independence of the jobber.

In some sections retailers have formed selling exchanges for the purpose of securing the jobber's discount. These retailers are thus enabled to secure their own small quantities at prices corresponding to those paid by bulk buyers. These retailers virtually overlap the jobber's field. In some instances these exchanges act openly as jobbers, being ready to sell goods to others than those affiliated with the organization.

In the chemical trade it would seem natural to ship direct to consumer, as the expense of double shipment is very great in this class of goods. The jobber, however, seems largely to control the industry and the manufacturer has to keep in touch with him. The jobber draws a commission, and the goods, if in large bulk, are shipped direct to the consumer. There are exceptions, and several houses sell only to retailers, allowing reductions in the price on large orders. In the iron and steel trades the jobber is gradually being driven out, owing to his methods of manipulating the market. For instance, he would quote the consumer a price lower than that quoted by the manufacturer, the material to be delivered at a future date; counting on a fall in prices before delivery. If no such fall appeared to be coming, the

market would be manipulated by him to secure the desired prices.

Hardware and grocery products are sold almost entirely by means of the jobber. The boot and shoe trade is only beginning to break away from the dominance of the jobber, by methods of agency and direct selling. So strong was the influence of the jobbers that in some cases they went so far as to demand the surrender of the manufacturer's trade-mark for their own use, since the shoe had become well known to the consumer under the name of the jobbers.

2. Through Retailers.—The manufacturer may deal direct with the retailer, putting in a stock of goods and employing advertising to move them, or he may create such a demand that the retailer is forced to keep in stock the articles which first attracted the consumer in print.

A large biscuit company sells most of its products to retailers, and possesses distributing agencies and centers in most of the big cities. At the same time it keeps the friendship of the retailer by advising him as to window dressing, the stock to carry for his district, etc., and accommodates him by taking back stock left on his hands.

The Exclusive Agency in Retailing.—Manufacturers, in many cases, take advantage of the exclusive agency both with jobber and retailer. In the case of the retailer, the agent is given the exclusive right of selling the particular goods in his own town. It is somewhat difficult to say whether this scheme is altogether beneficial to the manufacturer. For instance, as a writer in "Printers' Ink" says: "When an article is in healthy demand and handled by several merchants in a town where lively competition exists, there is absolutely no question but that three or four merchants will sell more of this product than any one merchant. The fact that goods are handled by several dealers stimulates the sale of that product. Furthermore, it is the exception when any one dealer can hope to secure all the possible trade on that article in his own town. Every dealer has his friends and his enemies, and the

manufacturer who ties up his goods with one distributor in the locality is certain to lose more or less business.

"Further, in spite of the elaborate and well-laid plans of some manufacturers who market entirely through exclusive agencies—plans calling for local advertising and close cooperation—things do not always work out satisfactorily. Retailers may forget to do their share of the advertising as agreed upon—they readily accept all the selling helps offered by the manufacturer, but overlook or neglect their part of the cooperative agreement. The manufacturer is thus made to suffer through the indifference of a negligent dealer. This seems unfair, and an unnecessary position for the manufacturer."

In regard to wholesale exclusive agencies the same writer says: "The manufacturer whose plant is located in one town, and who makes a staple product which comes into competition with local brands in different sections—a product the nature of which involves heavy weights, which affects his profits to a great extent—often finds it advantageous to perfect an exclusive selling arrangement in remote districts. In having a satisfactory exclusive arrangement with a good, live distributor, the manufacturer is permitted to enter these markets and secure at least a part of the business by shipping to the distributor in carload lots, whereas to ship direct from his remote factory in small shipments would wipe out too large a percentage of the profits. Of course, the manufacturer can largely relieve this situation by maintaining a warehouse in remote sections, shipping his goods to the warehouse in bulk, and distributing direct to dealers in small shipments.

"Where the manufacturer distributes through exclusive agencies in remote districts there is sometimes an advantage because the distributor is oftentimes in a position to cover his limited territory more closely than could the manufacturer, unless he maintained an extensive and costly selling force. It is the custom with some manufacturers to augment the distributor's selling force with one good man, who will cover a big territory—not very intensively, to be sure—but in a way to assist the distrib-

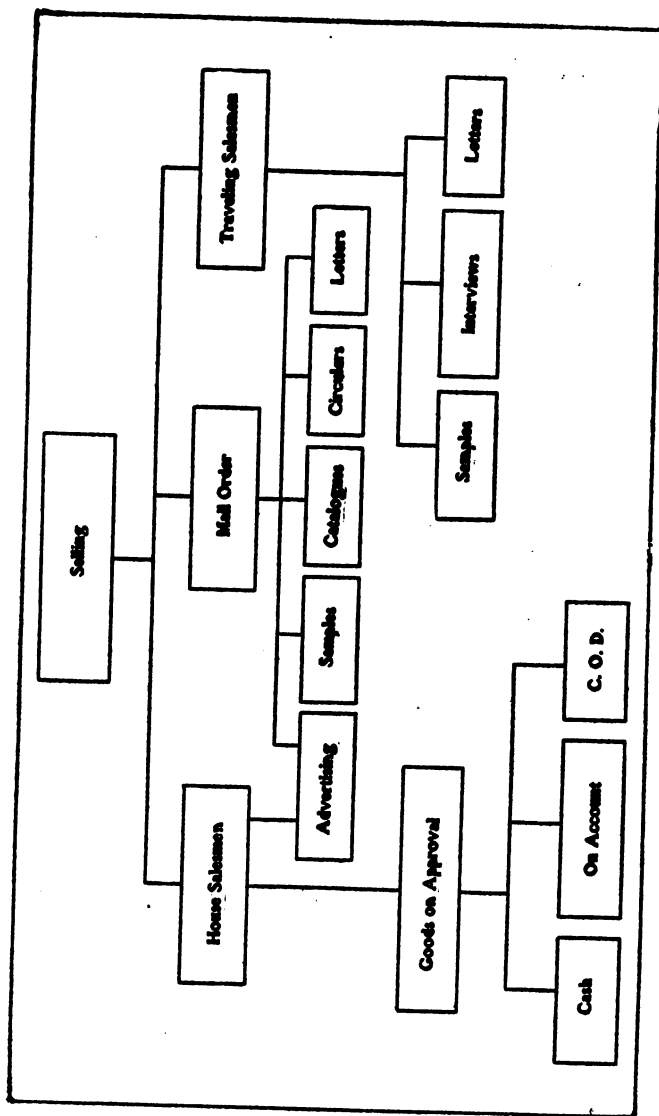
utor, and, at the same time, keeps the manufacturer in close direct touch with local conditions."

3. Direct Selling to Consumers.—This may be of three sorts: (a) Over the Retail Counter; (b) by Mail-orders; (c) by Agents.

When an enterprising manufacturer first conceived the idea of disposing of his product direct to the public, and so saving for himself and the buying public the profits which had formerly gone to the middleman, the idea was scoffed at, and especially when he proposed to do it by means of his own retail stores. Time has, however, vindicated the first experiments, and one has only to note the recurrence of the names of certain shoe and cigar stores, to mention only two classes of wares, to be convinced that the pioneer of the manufacturer's retail store displayed sound judgment.

(a) Over the Retail Counter.—The retail store need not be owned by the manufacturer. In many cases it is merely controlled. The principle guiding the application of this method to a commodity is that of the character of the demand. There would be no sense in a sugar manufacturer opening retail stores, for a commodity such as this demands a system of distribution which supplies the great mass of consumers at every possible point. If the product is a typewriter, then the customer will look for it in some particular district. Consequently the manufacturer will be able to provide for branch stores there. In the same way, specialty goods are sold in retail stores and exclusive agencies.

The boot and shoe manufacturer places his retail stores in the shopping districts and limits his stock entirely to goods of his own manufacture. While several names may occur to the mind as prominent in this field, the main boot and shoe trade still passes through the hands of the jobber. The product of one large shoe company is sold at one price exclusively through their own stores, while at the same time they operate several agencies. On the other hand, its largest rival operates its own



CHANNELS FOR SALES

stores, but in addition sells to the general trade. Exclusive agencies sell one particular stock, and are operated under the same conditions as the regular retail stores, except that the agent, who assumes the greater profit and loss involved by his contract, employs his labor from his own funds. An efficient selling campaign has been devised in the candy and chocolate trade by a concern which maintains its own stores and, when it deals with the general trade, sells its goods boxed and labeled.

(b) By Mail-orders.—The mail-order business is of comparatively modern origin, but every year sees it spreading abroad into wider fields and assuming vaster proportions. It has been shown that distribution direct to customers, particularly in the rural districts, is profitable, and the mails furnish a convenient method of intercommunication. The catalogue, the newspaper, and various advertising schemes all combine to influence the buyer to send directly to the factory, where the manufacturer fills the order and forwards the goods by mail, express, or freight. Not only manufacturers have adopted this plan, but also several of the large distributing firms of New York and Chicago which receive an average of 25,000 orders a day. These houses deal in a large assortment of goods, and their business is strictly retail by mail. Nothing is sold over the counter.

Other houses conduct mail-order departments, either selling direct or as a means of cooperating with the dealers. Their aim also is to reach the residents of the small town more effectively. Department stores have their mail-order adjuncts, and with the improvement of the parcel-post system the mail-order business seems likely to make even greater inroads upon retail distribution.

For a further discussion of this important subject, see *Mail-orders*.

(c) By Agents.—Selling by personal representatives direct to consumers, while still in vogue, is not nearly as general as it once was. But in certain lines high-class men are still employed with profit. The best method is

not to send such men out blindly, but to give them a carefully selected list of names, preferably those of former subscribers or persons who have answered advertisements or letters. The personal canvasser's chief argument with the prospective purchaser is that a direct sale such as this eliminates the middleman's profits and allows the goods to be sold with corresponding cheapness.

2. RETAIL SALESMANSHIP

When one looks around and sees the many stores, large and small, selling the same articles, it may be asked: What influence directs customers to their counters and, having attracted customers, retains them year after year? There can be no wide variance in the quality of goods sufficient to attract trade to one store to the exclusion of others, and the reason must be sought elsewhere. It does not lie entirely in the goods sold, in the type of salesman, in the material advantages derived from good location, fine architecture, convenience for customers, or in the many other appeals made by the modern store. Sometimes it is the predominating personality guiding and swaying the policy of the business, but even then this is but the prime factor in an elaborate system of organization. Sometimes it is the principles for which the house stands, by the strict adherence to which it has gained a name among customers. All things considered, this last may be regarded as the most valuable asset in a business. The personal influence of owner or manager may wane, but the house which has built up a structure of good-will has gone far toward perpetuating the success of the business. An organization which depends upon the ability of a single individual must dread the failure or passing out of that man. He is the foundation which, if removed, may topple the whole superstructure to the ground.

Value of Store Service.—Above all, a house depends upon the value of its store service; and from the manager to the humblest employee there must be the same spirit prevailing. It may take many years of ceaseless and

patient care and attention to develop such a spirit, but the results are such as to repay the trouble a thousandfold.

In a house employing a force running into several thousands of people, in which necessarily there must be almost daily change, some method must be devised by which the last newcomer may be educated without delay.

In certain large department stores, every person in authority over a section or division is for all practical purposes an instructor. It is his duty to guide the movements of those under him, and at the same time to teach them how to direct their own efforts intelligently and effectively. There is a continual process of education at work. Information is passed from superior to subordinate, and assistants are made more capable of performing their own duties as well as of acting as substitutes in the absence of their superiors. No information should be withheld by one person in the fear that his inferior may aspire to his position, but it should be shared freely and without reserve among all. Encouragement to those who take a special pride in educating their subordinates to almost the same degree of efficiency as themselves will remove any fear of the knowledge being used by the subordinate as a stepping-stone over the teacher's head; and the quality of teaching power should be recognized by progressive advancement of the teacher.

Added to this sharing of information is the sharing of responsibility. Responsibility is spread over a whole section, instead of crushing down one man with its weight, and to each person in that section is apportioned the responsibility for a certain piece of work, with the knowledge that the house depends upon him to see that it is done. At the same time, the manager is not absolved from responsibility, and it is his duty to keep its balance so distributed that no one person may feel aggrieved at having more than his neighbor. The subtle something known as *esprit du corps* must be instilled into the entire force from cash-boy to floor-walker.

Good Salespeople the Best Advertisement.—The best advertisement for the retail store is undoubtedly to be

found in the good impression carried away by customers and reported to their friends and neighbors. Anything which promotes sales is to be cultivated to the utmost, and there is nothing so effective in returning dividends, as the apparent influence of personality in business, exhibited above all in the salespeople.

"If any great storekeeper," says Mr. George French, "would insure the humane treatment of every visitor to his store by every employee, he would have the best advertised place in his field, even though his advertisements in the newspapers filled no more than a moiety of the space occupied by his competitors and rivals. The few stores in the country whose proprietors advertise humane treatment of customers are therefore notable and noted, even though it has always, sooner or later, been known that the policy was an advertising policy to the extent of something like ninety per cent. The saving ten per cent of humanity toward the customer always proves a great advertising asset. It pays better than thrice as much as whatever may be expended for any other sort of publicity.

"While there are stores and stores, there are few that have discovered a way to make the average clerk consider the customer before his counter as aught but a rabbit in a trap, who is there to be flayed. There are clerks who are only clerks, and there are clerks who are gentlemen and ladies by nature, and will treat customers as human beings should be treated, whether it is in accord with the policy of the store or not.

"There is, usually, one store in a city that has built up a great and profitable business through its humane treatment of the people who trade at its counters; and they continue to trade there, despite the flamboyant allurements of the other places. It is a matter of record that some of the more pronounced successes in the way of big stores have been built up and maintained without the assistance of the newspapers as advertising mediums, and it has been said of them that they did not advertise. The fact is that they have been doing the best and shrewdest advertising possible within the restricted

sphere of the personal influence of their proprietors and salespeople. They are known for the courteous and intelligent treatment accorded to every person going to their counters. How it galls to ask, in all seriousness and in search of buyable information, 'What is this?' meaning to ask of the article's origin, or make, or variety, and to be told, with lack-luster eye and tired voice: 'A dollar and a quarter.' There is no balm in Gilead for such clerking, but the big stores are full of it."

These big stores present a curious anomaly in the great advertising field. They win their patronage through the arts of the advertisers who consider only the power to attract people, and who use the unlimited promise, the unbridled assertion, to induce people to visit their shops.

They sacrifice, however, a major part of the results of the advertising by their treatment of the people, and the ignorant and indifferent handling of the goods.

Advertising is certainly not doing its best for the man who pays for it unless its effect is educative, unless it persuades customers to form a habit of visiting the store, unless the goods are of that quality which justifies the advertisement, unless the treatment of customers is so humane and intelligent as to induce them to repeat their visit to the store and come to rely upon it.

The business house that does not give due consideration to agreeable personal contact and value it as one of its most important assets is not taking advantage of the most obvious as well as the least expensive method of gaining profitable publicity.

Qualities Needed in Salespeople.—The highest class of salespeople, in a word, must be procured if a store is to maintain its reputation, and upon the atmosphere of the store itself depends the quality of those who sell in it. Such a store is a good place to work in, where work is guided by a complete and friendly scheme of rules, and there is a certain dignity in labor manifested which communicates itself to the customer. Customers like to know that they will meet with respectful and careful at-

tention, and this may direct them to the store employing this, and only this kind.

Mr. Selfridge, who, before going into business for himself in London was instrumental in building up Marshall Field & Co. of Chicago, said on one occasion: "I have always believed that any position, however humble or lofty, should have a dignity attached to it; to the workman it is his work, the most important thing in his life. By acknowledging this importance, a dignity is given to his position which puts it and him on a higher plane. He will then come to respect his work, and hence will do it better and take a greater interest in it—even enjoy it. This dignity and respect can not be afforded to the position by simply talking to the employee about the importance of the last detail and the respectability of hard work. His position must be given an individuality and responsibility; he himself must be treated as a man, not as so much help."

Rules for Salespeople.—The primary instrument of instruction in Marshall Field's store is their friendly little book of rules, to which we are indebted for several pertinent quotations. The rules are so succinct and to the point, and they have proved so successful in the guidance of this one store, that they may well be adapted to other stores, with such alteration as special conditions may require. In addition to this book the firm places bulletin boards in the wash-rooms and elsewhere, on which are posted instructions as to the sale or location of merchandise, and items regarding store service proper, or some word of encouragement, bit of advice, or suggestion. Circulars enclosed in the weekly pay envelopes have also been used for making suggestions and announcements.

The introduction gives the key to the prevailing principle of the house:

"The important part of any rule is the spirit of it. This is gained by understanding the wisdom and necessity of it, and not by mere obedience because it is a rule. No rule seems hard when you see that it is wise—worked

out from experience, made necessary by existing conditions.

"The object of these rules is not to abridge the rights of any one, but to point out the path which we believe to be the wise one to follow. The traveler making his way over unaccustomed roads is grateful for the guide-post which tells him the way to his destination—he never complains when the sign at the crossing tells him to go the uphill way, for he is glad the sign is there, and obeys cheerfully because he knows he is on the right road.

"We wish you to see, back of these rules, our earnest desire to conduct this great institution in the most harmonious manner; to give you the benefit of long experience; to save you the retracing of unguided steps; to enable you to grow in the knowledge of sound business principles and thus to become a credit to yourself and to the house.

"Keep close to the rule book; follow out the spirit as well as the letter of its advice, and you will find yourself on the right road to satisfactory and praiseworthy service."

Hints to Beginners.—The beginner entering the store is not allowed to retire into the background, but from the first is set to learn his or her duties thoroughly and to share in the responsibility of the work, under gradually decreasing tutoring.

"Become thoroughly informed regarding that portion of the business in which you are placed. If in a selling section, learn the names of the goods, where they are kept in stock, their qualities, sizes, prices, for what they are used, etc.

"Learn what is expected of you, as quickly as possible; make your actions correspond with the same.

"Section managers and assistants will watch you very carefully, and will not hesitate to ask for information on any point of business which requires explanation.

"The strictest propriety and greatest courtesy are rigorously required under all circumstances and upon all matters, whether customers wish to purchase, or have

finished and request the final care of purchase tickets; whether to exchange merchandise or return the same for credit; to inform themselves regarding an article on sale or simply to visit the different sections.

"You will bear in mind that every person who enters the store is, in a sense, an invited guest, and should be treated as such."

Every effort should be made to set the beginner at ease and every assistance given him by older employees. The latter are expected to set an example of courtesy, cheerfulness, and enthusiasm. They should be especially considerate to new employees, cheerfully answering questions and making them feel at home.

A spirit of cheerfulness will pervade the successful store at all times. Customers respond readily to cheerfulness on the part of the store and this makes every transaction of the day pass more easily and pleasantly for all concerned.

Stereotyped Phrases.—In an article in "Collier's," Mr. William Maxwell points out the desirability of refraining from such phrases as "What can I do for you to-day?" He says:

"If I were a retail salesman I would learn to bow and smile and say 'Good morning' to my customers in a way to show without words that I was ready to move mountains for them. I wouldn't ask a customer what he wanted. I'd wait for him to tell me, and meanwhile I'd observe his appearance, speech, and manner to get the right cue for my first remark.

"Something has brought your customer to the store. He is partly sold when he walks up to your counter. The advertising department, the window trimmer, the location of the store, previous dealings with the concern, some force or circumstance has delivered him to you in this partly sold condition. When you see him coming you don't know how close to the buying point he is, but if you let him tell what he wants in his own way, without befogging the situation by needlessly asking him what you can do for him, the chances are that his remarks and

manner will give you a pretty good idea of how far he has progressed toward a determination to buy the article about which he inquires."

And, commenting on another objectionable style of speech, Mr. Maxwell says again in a "Collier's" article:

"This big objection to 'What else?' and 'Is there anything else to-day?' in general terms is the same as the objection to 'What can I do for you to-day?' The use of such questions by a salesman indicates either ignorance of or indifference to the possibilities of salesmanship. We don't need to be so much concerned with the direct harm that these questions accomplish. That is relatively unimportant. The important thing is that such questions are useless verbal weeds, which choke the growth of salesmanship just as weeds in a farmer's field 'kill out' his corn. . . .

"If I stand silently at a counter after you have wrapped up my toothbrushes and razor, it is fairly safe for you to assume that you have received all of the voluntary offerings that I propose to give you, and it is up to you to commence to sell goods to me if you want any more of my money."

Punctuality.—The employee must be urged to be punctual by no system of threats of fines, but by being made to feel that he is taking a mean advantage of both the house and his own chances of advancement through dilatory habits.

The employer should not exact fines for being late, but should insist that, as far as possible, each employee be punctual and regular in attendance. If any one is necessarily delayed, and can give a satisfactory reason for his tardiness, the excuse should be accepted in a generous spirit.

Absence.—When the employee knows in advance that it will be necessary for him to be absent, he should arrange accordingly with the head of the department or his assistant. If unavoidably detained, he should notify the house without delay.

Immediately upon returning he should fill out the date and cause of absence upon an absence blank, which, when O.K.'d by the department head or assistant, is taken to the superintendent's office.

Courtesy and Willingness.—Courtesy and an obliging spirit do much to obtain the good-will of customers. Any one who has bought from an unpopular store can usually trace a disinclination to return to that store to some discourtesy or lack of interest in serving shown by the salesman. Every one is personally acquainted with the listless salesman, who shows goods with a bored air of resignation, and who has to be stirred into showing anything at all. That is the sort of salesman that kills business.

The degree of courtesy should not be regulated according to the apparent social scale of the customer. Dress is sometimes misleading. A millionaire may masquerade as a chauffeur, or the eccentric richest woman in the world as a charwoman. There is no moral in the little anecdote following, but it is true. A salesman of a big store was asked to show some ties to a quiet little elderly gentleman. Box after box of ties was dragged down and shown, the little gentleman examining them all carefully, feeling them, and pouring out a constant stream of questions, all of which the salesman answered courteously. The counter was littered with ties, and the little old gentleman continued busily investigating, pricing, and examining. A floorman in the distance, behind the old gentleman, seemed to be making signals, but the salesman was too busy attending to his customer to notice them. Finally the customer bought the ties, and the salesman, who had preserved his same good humor all through, asked his name and address. The little old gentleman gave the name and address of the owner of the store, whom the salesman had never seen, and smiled and walked away.

Courtesy to "Lookers."—It is no crime for a person to inspect goods that he has no immediate intention of buy-

ing. Says Mr. Maxwell, writing of the looker in "Collier's":

"The boss wants lookers, because he knows the looker of to-day is the buyer of to-morrow and he wants to make the lookers feel that his store is 'the best place to trade,' which is only another way of saying that it is the best place to do one's looking. He also knows that the looker of to-day can sometimes be converted into a buyer before the day is over. All he requires to accomplish what he desires is salesmanship among his salespeople. Does he get it? Not from all of them. If he did there would be less need for commissions to inquire laboriously into the relation between shopgirls' wages and shopgirls' chastity, for real salesmanship will get the money wherever it is practised and by whomever it is practised. Real salesmanship is one light that can't be hidden under a bushel. It's a light that can't be obscured. It's a light that will shine above department heads and floorwalkers and reach clear up to 'the old man' in his private office, if you keep it burning long enough.

"What is salesmanship? No one quite knows. But if you will take care of the lookers; if you will make all the lookers pleasantly remember what you showed them and how you showed it to them when they were merely looking, you will have mastered one very important branch of retail salesmanship."

Personal Incentive.—Every member of the selling staff should be encouraged to acquire a personal reputation for good manners as well as good salesmanship, and there should be no restraint upon individuality. The successful salesman will still further create a character for himself by impressing customers with his enjoyment of the work upon all occasions.

It is often pleasing to the casual visitor to have an employee demonstrate sufficient interest in her and in the house to suggest a visit to some other exhibit upon the premises.

"Have you visited our House Palatial?" asks the salesman at Wanamaker's; "you may find some useful hints

there as to decoration." Or, "There will be an excellent organ recital in the auditorium at eleven." This, of course, may be easily overdone, but is useful in particular instances.

Many salespeople think that the house holds them so strictly to account in the matter of sales that it is not always easy to allow the desired time to particular customers, or carry out the above instruction and at the same time place the required amount of sales to their credit. While it is natural for such a feeling to arise, and, of course, large sales are important factors in fixing the value of salespeople, they alone do not form the basis upon which salaries are paid. Polite attention, interest in one's duties, and care in waiting upon customers are equally important factors, since these are largely responsible for producing the other much desired result, large sales.

Rules of Behavior.—We quote again from the book of rules:

"All in positions of authority are requested to bring to the immediate attention of the superintendent's office any and all cases in which courteous treatment to all is being disregarded—through carelessness, ill temper, ignorance of the requirements, or for any other reason.

"We receive visits from many out-of-town people, and the impression which is made upon them by a few moments' interview with our employees remains forever in their minds. If the employees are courteous and polite, the impression is good; if too short with answers or other than very attentive in actions, the opposite is true. We are very desirous that visitors be allowed to see that we understand how to do business correctly, and this effect can only be had when every employee treats every visitor with careful consideration.

"You will conduct yourself very courteously in the elevators. You will not enter into conversation with those in cars unless it is necessary, and under no circumstance will you use the mirror for toilet purposes. You will avoid pushing and crowding, and will allow the customers to enter and pass out of the elevators first.

Elevator conductors are hereby instructed to report immediately to the head of the elevator system any unbecoming deportment on the part of employees.

"You will have patience in serving customers, showing goods willingly and pleasantly, without asking too many questions as to price, width, size, or color.

"See that every customer in every transaction is treated in a manner indicating that that immediate transaction is the chief point of interest in your mind at that time.

"It is recognized in this store that the undue urging of merchandise upon customers is not desired, but this does not in any way mean that indifference in the slightest degree is to be permitted. Indifference on the part of employees is a very serious blight in any business, and we wish it understood that this house considers anything of the kind sufficient cause for instant dismissal. Salespeople will endeavor to serve customers immediately and not wait to be asked by either customers or floormen. When all salespeople are necessarily busy, the one nearest the customer will excuse himself to the one upon whom he is waiting, and will request the customer to be seated, assuring her that she will be cared for within a moment or two."

Politeness Over the Telephone.—Even in telephoning, much is expected in the way of courtesy. The mere fact that one is not face to face with the person addressed does not in any way extenuate abruptness, or evident desire to ring off.

Employees having charge of the public telephones should be cautioned to conduct all business with quickness and dispatch, but at the same time with attention to the wishes of those using the telephone.

When an employee is called to the telephone he should respond quickly, since time never seems so long as when waiting for such response. When asked over the wire "Who is this?" he should reply by giving the firm, the department, and his own name, if necessary.

Customers sometimes wish to complain over the telephone regarding the non-delivery of goods or for some

other reason and are at a loss to know before whom to place the matter; they therefore ask for some person in the store whom they may know and request him to see to it. Should the salesman receive any such complaint he should not endeavor to give it his personal attention (unless especially requested to do so), but he should reply to the complainant in a pleasant manner and refer the person to the complaint department. To do this without annoyance to the customer he should ask her to hold the wire for a moment, explaining that he will connect her at once with the department which has charge of such matters, and which will look into her complaint promptly.

It is a waste of energy to lose one's temper at the telephone. The operators are usually careful and prompt, and one always accomplishes more when telephoning by keeping cool.

The way in which a telephone message is sent indicates to quite an extent the character of the sender; and a business house whose telephoning is quick, bright, to the point, and clear in enunciation, conveys an impression which is always good.

One should never leave the telephone without first informing the person at the other end of the wire as to what action is to be taken; otherwise it may be thought that the request is being neglected.

To illustrate the importance of courtesy in telephoning, the National Telephone Company is spending large sums of money in educative advertising—to show the public at large the proper use of the telephone, and that courtesy over the wire is just as essential as courtesy in the drawing-room.

Importance of Legible Writing.—The salesman in selling the goods does only a part of the necessary work. Equal thoughtfulness and care should be exercised in issuing the sales check and completing each transaction.

The name and address should be written on single item cash checks in every instance where goods are to be sent, and on all purchase ticket checks whether goods are sent or not.

Legible handwriting is one of the necessary qualifications of every salesman, and when one fails in this point he fails in one which is sufficiently important to receive serious attention.

In taking the names of customers, care should be exercised to see that they are correctly spelled; especially is this true when the pronunciation is almost the same, as for instance, "Crane" and "Crain," "More" and "Moore," etc.

Not only is this necessary in the interest of an accurate record, but customers quickly resent any liberties taken with their names. It is a curious trait of human nature that every man likes to see his name spelled correctly.

Errors in initials, the omission of the abbreviation "Jr." or "Sr.," when it should appear, and writing the address incorrectly, are important matters; and the omission of the price per yard, dozen, or pair, makes it impossible to bill goods without error and loss of time.

Addresses.—Care should be exercised to write in a legible manner all names upon shipping tickets.

The full and exact address of a customer should be obtained, and to that end the question "Near what street?" is sometimes necessary. In large cities, apartment buildings have numerous suites, and it therefore is well to ascertain in each case the name of the building and the number of the apartment. When a street corner is given as an address, the S. E. corner—for example—should be specified.

Returned Goods.—No department of a store, large or small, calls for more constant supervision, tact, and judgment than that dealing with complaints and returns. Customers should be assured that all merchandise which has failed to give satisfaction may be exchanged or redeemed at choice of customer, unless it was sold with the understanding that it could not be returned, or has become unsalable through handling or because of the length of time between dates of purchase and return.

Taking back merchandise should be done promptly and

pleasantly, credit being issued when desired. The manner of handling such transactions is very important, as it is possible to say the right words, but to say them in such a manner as to offend. It should always be a pleasure to do whatever will please the customer, if it is possible to do so consistently with good business methods.

Exchanges.—When merchandise is returned by customers, salespeople should not accept it for credit, but should in each instance refer the matter to the nearest exchange desk. If the customer complains or fails to understand just what is expected, a floorman should be called to accompany her to the desk and explain carefully the desirability of taking and preserving a receipt.

Exchange clerks should issue credits or receipts without delay, subject to the special conditions. If cash credits are sought, they must ascertain if the goods were originally bought for cash. Several stores may sell similar lines of merchandise, and it is often possible for goods bought in one store, at a special price, to be brought back to another house for credit. Unless the cash ticket accompanies the goods, there is no certainty that the merchandise has been purchased in the house in question.

Care should be exercised in making "even exchanges which are to be taken." Before making any such exchange, the salesman should call upon the floorman, who will act as inspector. Floormen should be careful to see that such exchanges are properly made and that prices correspond. When any doubt exists as to the advisability of making an exchange, the matter should be referred to the head of the department. Even exchanges should be made only when the attention of one of these officials has been called thereto. When an exchange is made and the customer wishes to take the goods, the floorman should place his signature upon the package, so that should goods be later presented as personal property for shipment with other articles, there will be some indication that the transaction is correct, and the annoyance of investigation will be avoided.

Promises and Guarantees.—A house can not bear to have the slightest suspicion attach to the guarantee of its goods. Guarantees as to wear and color should be strictly avoided, also anything which even savors of misrepresentation.

"We wish to emphasize the extreme necessity of making no promises which can not be absolutely fulfilled," says the book of rules. "From the standpoint of the customer, a promise which is made only to be broken is worse than no promise at all; and while customers sometimes press us for definite information, we must not allow the fact to lead us into agreeing to do something which will not be executed.

"It is far better to lose a sale than to secure it on any such basis, as it is obvious that the customer will be annoyed and in many instances will refuse the goods when delivered. The statement is also sometimes made that 'all goods purchased on Saturday will be delivered on that day.' While this is true as far as we are able to make it so, there is necessarily an exception to this in the way of bric-à-brac, glassware, or other fragile articles that require packing. Anything of this nature which is sold on Saturday, and which must be delivered on that day, must be marked for special delivery; otherwise it is liable to be held until the following Monday.

"Do not make a promise which affects any employee other than yourself, except with an understanding with the other employee that such a promise is made."

Purchases Sent Collect.—The method of dealing with "C. O. D." purchases, and with those who purchase and promise to call for the goods and pay, is dealt with as follows in the Chicago store:

"Salespeople must be very sure that every check contains the letters C. O. D. when the customer directs that goods be so sent. Occasionally, for some reason which may seem best judgment, our Credit Division sends merchandise C. O. D. which the customer thinks should have been charged. It is, of course, possible that goods may be sent C. O. D. through mistake, but when customers

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complain of anything of that kind they should, as far as possible, be referred to the Credit Division for an explanation. C. O. D. packages must not be sent for less than fifty cents.

"We wish to avoid, as much as possible, C. O. D. 'will calls,' and the indefinite holding of checks in the different sections. When it is necessary to accept a deposit or part payment, the following system will be used:

"When a customer makes a deposit and requests that the goods be held, the salesperson will issue a charge shipping ticket only, noting on the duplicate the merchandise sold, the amount of the sales, amount paid, and amount still due. The salesperson will give the ticket and the money to the inspector, retaining the goods in stock. The inspector will send the shipping ticket with the money to the cashier. The cashier will indorse the amount on the duplicate part of the ticket, and return it with receipt, which will be given to the customer. The inspector will hold the shipping ticket.

"Any additional part payments on the same purchase are to be indorsed on the duplicate of the same shipping ticket, and another receipt taken from the cashier, in each instance.

"When the balance is paid, or the goods ordered sent C. O. D., the salesperson will issue the check, and give it to the inspector with the goods. The inspector will send the money, check, and shipping ticket to the cashier, who will mark both check and shipping ticket 'Paid,' and return the shipping ticket to the inspector.

"The shipping ticket only is to be used in sending packages.

"If part payment is to be refunded, a refund ticket will be issued by the floorman or section manager, which ticket may be cashed at the Adjusting Bureau."

Some Don'ts for Employees.—The same house that issues the valuable book of rules referred to also issues a little "Book of Don'ts," in which will be found the following summary of important hints, most of which

have been considered in foregoing pages, but which will bear summarizing:

"Don't be listless about attending to a customer.

"Don't let a customer go away dissatisfied without referring the matter to some one higher in authority.

"Don't decline to wait on a customer when occupied with stock work; drop the stock work and give attention to the customer.

"Don't fail to be polite to all; to employees who may be making purchases, as well as to customers.

"Don't neglect a customer who happens to be poorly dressed.

"Don't suggest things out of season; study the intentions of your customer.

"Don't misdirect a customer; unless absolutely sure, refer to a floorman.

"Don't be personal in your remarks to customers.

"Don't talk about personal affairs in the presence or hearing of customers.

"Don't argue with a customer.

"Don't speak sharply to a customer under any circumstances.

"Don't ask too many questions.

"Don't make derogatory remarks regarding merchandise.

"Don't address a customer as 'lady'; say 'Madam' unless you know her name.

"Don't make any promises to customers unless you are absolutely sure they will be fulfilled.

"Don't misrepresent an article for the sake of making a sale, nor guarantee wear or color.

"Don't hurry a customer.

"Don't finish a transaction by asking, 'Is that all'? Rather say, 'Can I show you anything else'?

"Don't imagine you are infallible.

"Don't impatiently resent the action of a person calling your attention to an error.

"Don't stand and stare at customers, or make remarks about them that may be overheard.

"Don't point when directing customers.

"Don't speak sharply or abruptly over a telephone.

"Don't say, 'I'm busy,' when spoken to by a waiting customer; say politely 'Please be seated a moment,' or 'I'll wait on you next.' Show her that you are interested in her. It is sometimes possible to wait on two customers at once, but it requires tact and judgment. Place before the waiting customer the merchandise called for, but do not allow the one in hand to suffer any inattention in doing so.

"Avoid gossiping, and do not allow your friends to consume your time by visiting with you. Do not indulge in conversation when upon opposite sides of an aisle, or at a distance from each other. For employees to go about the store arm in arm blocks the aisles and is not business-like in appearance. Whistling, singing, or humming while in the store must be avoided."

The Employer's Relation to the Employee.—No employer can expect to get the right sort of service out of employees unless he himself is as scrupulous in his attention in details and as punctilious in his personal relations as he desires them to be. An employee is not a machine, but a human being. He can be driven just so far and no farther. He can be made to give a certain amount of grudging service, or he can be aroused to personal enthusiasm so that he looks upon the interests of the house as his own. No employee, no matter how unimportant his position, should be forgotten or lost sight of; but every one whose name is on the pay-roll should be recognized as an important part of the establishment, and his individual efforts should be carefully and frequently considered.

If an employee feels that he is entitled to promotion or an increase in salary, he should be made to feel at liberty to state his case without fear of snubbing or discourteous treatment.

The employee should also be made to realize that he is in a position of responsibility. It is impossible to do business of any sort without reposing confidence in a number of people. Every employee should know that he

is in a position of trust, and owes to himself and to his employers fulfilment of that trust. To fail and to be detected in wrong-doing is to pay a large price for a very small thing. One's good name, and the confidence of friends and indorsers; one's feeling of strength in one's self: all go when one proves faithless to such a trust.

The employer can emphasize such points as these, not in an unkind or dictatorial way, but in such manner as to arouse all the best instincts and principles of his assistants. In this way, and in this way only, may the foundations be laid for a successful retail store.

3. SELLING BY MAIL-ORDER

The mail-order business is the outgrowth of the persistent demand in the rural districts for opportunities to purchase all supplies and commodities, such as are sold at city stores, and at city prices, without the necessity of visiting the city. This extensive and constantly growing trade is established in three ways, which often overlap one another: (a) advertisements in newspapers or periodicals; (b) circulars and catalogues mailed to selected names, or upon request; (c) the follow-up system. Mail-order selling has been used to advantage by (1) the retailer and (2) the wholesaler or jobber.

1. Retailing by Mail.—Retail mail-order business, as conducted on the present immense scale, was originated in the enterprise of A. Montgomery Ward of Chicago in 1872. Ward began business as a simple purchasing agent, filling the orders of the Western farmers, and gradually developing until he conducted his own factories. His phenomenal success has been rivaled only by that of another Chicago establishment, founded in 1895. In 1912 conservative estimates reckoned that the gross annual business of the two concerns stood at more than \$125,000,000. In addition to these vast mail-order stores in Chicago and other cities, there are multitudes of small dealers in specialties and general merchandise. A curious instance is that of a wholesale house, which might be

included in the mail-order business, with a selling list of over 15,000 retail merchants. The house is situated in Baltimore, Maryland, and started with \$600 capital. It now employs 893 people and is rated above a million dollars. It employs no traveling salesmen, and its whole business is that brought by printed matter. It issues two house publications; one preliminary, the other in response to inquirers, with a total circulation of 85,000 in all. From these publications and the activities of its correspondence departments results a business of about a million dollars a month, at a selling cost of barely over 2 per cent.

Keying Advertisements.—The question of newspaper and magazine advertising to secure mail-orders is dealt with in the chapter on *Advertising*. It is all-important that the advertisement should be so framed as to induce immediate sending for the article, or for further information.

In order to keep a check upon the number of inquiries, which, be it noted, do not necessarily mean sales, the advertiser uses a "keying" system. This is usually accomplished by requesting the inquirer in writing to mention the name of the publication or to refer to a number, or by some such means. Such methods are almost without exception unsatisfactory, and give the advertiser a false impression of the value of his advertising mediums.

One of the best methods of keying is the "coupon," which is simply a space at a corner or bottom of the page, containing usually a request for a booklet or catalogue. This coupon can be torn off and mailed in an envelope, thus saving the writing of a letter. The idea is that the inherent laziness of man is overcome by this labor-saving device. Each coupon has a special device, number or letter, which enables the advertiser to know by which publication the inquiry was prompted.

Catalogues.—When the annual receipts increase to the immense sums realized by some large mail-order houses, the usual magazine or newspaper is abandoned in favor of

the extensive illustrated catalogue. This mailed to a select list of former patrons, or of names obtained from letter brokers, frequently achieves as good, sometimes better, results for the money expended, as would the equivalent in ordinary advertising. In fact, the great mail-order houses use every means to develop inquiries for their catalogues. In 1913 the two leading Chicago houses sent out 40,000,000 pieces of literature. In these, and in the columns of the periodical press, they announce special articles and present vital sales and service arguments, the chief object of which is to bring requests for the catalogue. It is upon the large general catalogues themselves that these houses depend for the bulk of their sales.

When business is done through catalogues it brings the advertiser and the buyer into immediate touch, so that each may know and respect the needs of the other. It eliminates the middleman. It means more to the advertiser, for he is spared the cost of salesmen, and all the other intervening deterrent factors of his profits.

Distribution of Catalogues.—Every mail-order house gets many inquiries that are prompted by curiosity only. Where the catalogue is very large and mailing expensive (some of them cost as much as 30 cents to mail), it might seem advisable to sift out the real buyers by asking that postage be sent with the inquiry. But nearly every one is a prospective buyer where the variety of goods advertised is so wide as is the case with the great department-store mail-order houses; and the general catalogue has proved such an effective salesman that it is no longer customary to require that postage be sent by the inquirer.

There are two great mail-order houses in Chicago alone, already mentioned, each doing an annual business running into many millions of dollars. One of them, established about twenty years ago, mails every business day of the year 22,000 catalogues of 1,200 pages each, and it has 6,000,000 customers on its books to-day. Another annually circulates over 4,000,000 catalogues, of such bulk as to require 30 cents postage each, a total of \$1,200,000 for mailing expenses. These houses sell nearly all

kinds of implements, goods, and supplies used in the world, all of which are offered in no other way than in printed words and pictures; and they have satisfied customers and gained a reputation for integrity and honest dealing in every town and village in the country.

Selling by Catalogue.—Numerous peculiar problems confront the house employing the mail-order methods. In order to compete with other houses employing salesmen certain advantages must be offered to the buyer. Above all, the price must be sufficiently low to appeal to the pocket. The goods must be bought or manufactured at the lowest cost compatible with the quality advertised or catalogued. They must be catalogued in an attractive manner with suitable illustrations. The descriptions must be accurate and concise, yet give a full idea of the article. The arrangement of the catalogue should be clear. Classes of articles may be noted by sectional division of the edge with different colors. Any scheme which will facilitate reference should be adopted. The prices should be clearly stated and should be as low as possible, while leaving a fair margin of profit. They should not be such that alterations are required. It is essential, above all, that there should be conformity with the catalogue in value and quality, and that in case of complaint the price of the article should be refunded, together with delivery charges. If there is likely to be any delay, the customer should be notified at once; but to avoid delay stock should not be allowed to get low. To run out of any article is to argue a defect in the system of the business.

Method of Payment.—Most of the mail-order houses conduct their business on a strictly cash basis, payment being forwarded with the order; others have instituted a credit business as a means of attracting custom. With the large houses this method is used only when the articles are comparatively high priced; that is, such things as sewing machines, pianos, typewriters, cream separators, gasoline engines, and similar items may be purchased on

time or credit. A much more elaborate accounting and collection system is involved, however, and if payment is permitted to be made by instalment, office work is enormously complicated.

Business on Trust.—A surprisingly large number of enterprises depending on mail-order methods have built up considerable property by direct appeal to the honesty of the public. They offer to send goods on approval, with return charges paid, if not satisfactory. This seems a heroic, not to say a desperate, policy; and yet the percentage of losses through dishonesty proves encouragingly small. If reports may be believed, the same may be said of losses through failure to complete payment. The plan is to advertise some article of utility—*e. g.*, some calisthenic or culinary appliance—with the offer to send a sample on approval, to be purchased, if satisfactory, by instalments. Books, also, have been widely sold by this method.

Apart from the element of apparent risk, which would logically deter many persons from attempting to do business along these lines, experience seems to warrant the statement that, for certain definite lines of merchandise at least, the "send on approval system" is the very best advertising scheme in existence. This seems reasonable, because (*a*) the direct appeal to the honesty of the prospect and the frank willingness to assume the fact of his responsibility are distinctly flattering to the possible purchaser, prejudicing him favorably to the proposition; (*b*) it affords a means for the public to judge the merits and availability of the article in question, eliminating all possibility of deceit and misrepresentation; (*c*) it proves that the average of honesty is exceedingly high.

A certain publisher of practical popular handbooks and educational treatises, who has followed this plan for years, states that his total losses since beginning business, including damaged goods, strays, bad debts, and similar items, have amounted to only 6 per cent of his gross income.

Follow-up Letters.—The sending of follow-up matter is another and valuable method, but is often misused. In addition to sending out single catalogues or circulars to selected lists of names, or on request, some advertisers employ the follow-up system of getting at their prospective buyer. Any one who responds to an advertisement has at least some curiosity, and this curiosity must be converted into something more. The advertiser sends out several consecutive letters, usually form letters, or a series consisting of circulars and folders at periodic intervals. Their value lies in the persistent repetition of the argument either in a stereotyped form or in attractive variations; the form of the matter may be changed, but the main idea, that the recipient should finally be induced to buy, should always be paramount. Thus a series may consist of a catalogue or booklet, personal letter, reminder, post-card, circular letter, and sometimes a wire, sent out one after another, and all inviting purchase.

For a more complete discussion of this important subject see *Form Letters and Follow-up Systems*, in this volume.

2. Wholesaling by Mail.—For years many manufacturers and jobbers have tried to solve the problem of how to dispense with the services of the traveling salesman and his expense. The solution has come to some of these in the shape of the catalogue and the mail-order business.

Nowadays the mail-order firm can reach with one issue of its catalogue thousands of retail houses, which it would have taken years to cover with a selling staff. Better, it reaches them monthly and keeps its wares prominently and persistently before them. By this means, if the goods are meritorious and sold at right prices, the mail-order house can oftentimes cut out the traveling salesman altogether.

Advantage to the Retailer.—By this system the retailer need not ordinarily carry more than a month's stock. The wholesaler's catalogue comes in monthly and is always ready to quote prices and facilitate speedy buying.

The buying price is fixed. There need be no hesitancy in buying. The goods are described and illustrated. The retailer can buy when and in what quantity he pleases, and is not rushed into buying a stock that may be left on his hands indefinitely or sold only at a loss. Not so long ago the retailer divided his buying periods into two—summer and winter. He laid in stock for six months, often in the most sanguine spirits, looking forward to doing an increased business, and priding himself on his foresight in having secured some reduction in price in consequence of the size of his order. Things might go well with him and he might prepare for another season; though he forgot that he was paying interest himself on the stock lying on his shelves. On the other hand there might be a depression in trade, a dull season, and a stock of winter goods lumbering up shelves that should receive summer goods. His only way of escape was to sell at a loss.

But the mail-order man has come to his rescue. "See here," he says, "every month I'll send you my list. You'll find everything in plain figures, and you'll note that I can afford to make these prices of mine the lowest in the market. I have cut out a lot of selling expenses and can afford to give you the benefit. Now let me lay in your stock as you require it. I'll stand responsible for capital. Why should you be left with surplus stock, when I have a market for it every day in the week? When you want anything order it in instalments, by tens instead of gross lots. We aim at establishing a price outside of market fluctuations. If there is a profit, it's yours; if a loss, it's ours. You get along with less capital, less space filled up with the same articles, and you have opportunity to keep your stock abreast of local requirements."

Baits for Trade.—The wholesaler who sells by travelers tempts the retail buyer with a price per carload, or in other large lots, the orders being usually steady when connections are once established. But prices must necessarily be graded up to the smallest merchant who has to pay proportionately for the smallness of his order.

The wholesaler by mail can not and does not want to

scale prices. His prices are fixed, therefore he must appeal mainly to the smaller retailer, and he can only do this by underselling the wholesaler employing salesmen. It is the appeal of low prices and the same prices to all that he must use to advantage to angle for custom.

The progressive mail-order man will offer other inducements. In one specific instance, each number of a mail-order catalogue contains selling hints, instruction in window dressing and so on, the publisher standing ready to give every other possible assistance in disposing of his goods.

4. THE TRAVELING SALESMAN

(a) The Salesman Classified and Described

The position of the traveling salesman in commercial life is too well known to require definition. He is the intermediary or "go-between," bringing together successively the manufacturer, the jobber, the wholesaler, and the retailer, or any combination of them. There are thousands of these advance agents of business constantly upon the road carrying their sample cases from city to city and town to town and thus keeping the remoter districts in constant touch with the goods, styles, and prices of the distributing centers.

No matter what line of goods the salesman carries, the same general rules apply to each, although the business itself constantly presents new aspects. The simple booking of orders from a customer of long standing is to the salesman a totally different proposition from creating a market for goods, exploiting new fields, and surveying unknown quantities. It is this latter which tries the mettle of a salesman, especially if he is new at the game.

Two Classes of Salesmen.—Traveling salesmen, engaged nowadays in assisting the manufacturer, wholesaler, or jobber, in selling his products, can be separated broadly into two classes:

1. Those who sell staples.
2. Those who sell specialties.

Between these two classes distinctions are continually being made. One is called a drummer, and the other a specialty man. The drummer sells staples, such as hardware, groceries, drugs. He carries hundreds of separate commodities. His sample trunks are big. He divides his energies among the many articles in demand with his trade. The specialty salesman, on the contrary, is usually a specialist in selling some one article, like an adding machine, a vacuum cleaner, or a restricted line of supplies or tools used in manufacturing. His samples may consist chiefly of well-arranged facts, backed by a few photographs or working plans. The drummer is old, the specialty salesman new.

There were few specialties to sell. Many of to-day's conveniences were unknown. The business world had not learned to set high-priced men to selling one article. But as inventions multiplied and magazine advertising and other factors welded the buying public more compactly, a national market was created for every concern that could take advantage of it. Soon the specialty man became a prominent figure in selling. He was trained to sell just one thing. Special devices were often built into that one thing to help him sell it. His margin of profit permitted more elaborate tactics, his field was wider in every way, and his whole proposition more interesting than that of the old-style drummer.

The drummer must often devote himself to selling a staple like common table salt in car lots on a margin of a cent a barrel. There is nothing in table salt to appeal to the imagination, and he sells to customers to whom the most enticing offer he can make is some trifle like an extra cash discount.

The specialty man selling a time clock or adding machine to the same customer, however, may call his attention to a wholly new way of conducting his business and enlarging his profits, and lead him to think in fresh channels by appealing to his imagination. The specialty man has thus become a dominant figure, while the old-fashioned drummer is not infrequently thought of as a relic of the past, useful, perhaps, and necessary just now,

but certain to be eliminated by future movements in business expansion.

In many respects, however, the drummer still has the more fascinating and difficult field in selling. The very fact that he has to handle table salt on a penny margin makes his whole sale largely a play upon human nature.

A typical specialty salesman's experience may not only be confined to a single device, like a typewriter, but he may often have been trained so thoroughly in the special advantages of one make of typewriter that he can not sell another make. An aggressive Western house in this line has built up a strong sales force, taking men who have never sold goods, yet who display marked ability, and training them to sell that machine against all others. Competitors have repeatedly taken away crack men from this organization, yet it is said that they seldom succeed in selling other machines because of their highly specialized training. The specialty man in any line, in fact, no matter what his ability or experience, would find it difficult to sell staple goods to the regular trade. There is a continual demand for staple goods, and there must be salesmen to supply it, but it is in this trade that the fiercest competition is encountered. Still, it is here that the good salesman gets his chance, and if his goods are equal in quality and price inducement to those of competitors, it rests solely with his own efforts and ability to secure the orders.

What Constitutes a Good Salesman.—The man who makes up his mind to become a traveling salesman will find that he has to pass through a painful experience before he can hope to attain brilliant success. Time has exploded the old idea that salesmen, like poets, are born not made. Of course, there are exceptions here as elsewhere. Some men have natural aptitude for selling, but it is recognized to-day that the young man with moderate intelligence can be educated in the science of selling, and that salesmanship is now a scientific study.

The new-fledged salesman may have been a successful

retail salesman or a house-to-house canvasser, but his training in these lines will have given him but the slightest insight into scientific salesmanship. And it is only when he realizes the economic possibilities of the experienced salesman sufficiently well to put them into effect that he can consider himself as a success.

Salesmanship, in fact, is not mere selling of goods. It is much more than that. It is the focusing of the mind on the question of selling the goods in hand, with the intention of employing the knowledge gained in this transaction in the sale of other goods, at less cost of time, effort, and expense, with more directness and force—in fact, with more science.

The prospective salesman need not have a college education. If he has, however, it is a good foundation. A good general education is a necessity, however, as it is to those engaged in most callings or occupations. The salesman in the course of his travels encounters many people who abhor slipshod English, even in a business transaction, and he can not afford to antagonize his customer through such a cause. Of course, there may be occasions in which one must adapt one's speech tactfully to the character of the prospective buyer, but as a whole it is well to be careful of one's language without making it too pedantic.

Two of the best assets which the apprentice salesman can have are a robust constitution and a cheerful disposition. These two will enable him to bear most of the troubles of the road.

Enthusiasm.—The salesman who wants to keep himself from growing stale and languid in his duties must be inspired with enthusiasm, and this enthusiasm must never be allowed to run down, for he can not arouse the feeling in others when he does not possess it himself. Enthusiasm is an infection and a very taking one, if sincere. It is a quality which can hardly be rated too highly. Clean, honest enthusiasm will often succeed where a dry setting forth of prosy facts about one's wares is so much time wasted. Be in real earnest. Show real belief in every

word you say, and let your manner be as enthusiastic as your words.

Have confidence in the goods; believe that they are the best and that they have all the qualities you are ascribing to them. The manufacturer who expects his salesmen to sell goods which he knows are not up to the mark is planning badly. An unstable business breeds unstable salesmen. The salesman who is continually talking what he does not believe, whose arguments are specious, and who has to bolster up his sales with mendacity, must degenerate not only in his salesmanship, but in the honesty of his dealings with his firm. It is not reasonable for the firm to expect sincerity from a man whose business is unblushing falsehood in obedience to their orders. Such a house will learn to its cost that salesmen will not remain loyal through such a campaign.

There is no satisfaction in selling goods which you know are bad, but there is a genuine delight in handling those in which you have absolute faith. Given good goods, then generally follow good salesmen and good business. It is simple progression from merit to enthusiasm. Whenever the salesman finds that he is weakening in his enthusiasm and ability to put up a selling talk worthy of himself and his firm, he should go to his manager and have a talk with him. It is the duty of the sales manager to inspire the men under him and keep them up to the mark. The feeling he wants in his men is something more than pleasure in outdistancing competitors and selling a large bill of goods; it is loyalty and pride, and a real affection for both duty and firm.

Politeness.—There is not as much room as there once was for "rough diamonds" in salesmanship, those uncouth fellows whose hearts are true and who underneath the surface are gentlemen. There may be a few exceptions to the rule, but these men succeed not on account of an uncouth exterior or brusque speech, but in spite of it. If they are gentlemen, they should show it. Neither is there room for people whose politeness is so fulsome as to be offensive. But there is a welcome for people of

good breeding. First impressions are often the ones which last, and the salesman who approaches his customer in a brusque or indifferent manner, or overdoes his politeness to the point of cringing, is losing ground.

Determination.—He must be able to take a rebuff without taking offense and without losing heart. There are some men who take a delight in "turning down" the salesman, while others do so thoughtlessly. Often it is the salesman's own fault. He is lacking in the power to interest or convince which he ought to have to compensate his listener for loss of time. There must be a determination to hang on in spite of opposition, to return again and again if need be, and to register a vow that the obdurate one will succumb sooner or later. At the same time, too, he must never lose control of his temper or allow himself to forget his purpose. Thereby he will be able to determine the moment to change his front and try another point of attack, for he will recognize that every customer favors a different approach and resents any attempt to deviate from it. The oversensitive salesman should lose no time in correcting this troublesome characteristic.

Confidence.—Any previous position in which he has been brought into contact with people of all classes of society—principally the educated—is a factor in giving the salesman ease and self-confidence. The rough, awkward edges will have been worn off, and he will now be somewhat a man of the world, and as such capable of talking without diffidence to any one. This independence of thought and feeling leaves him at liberty to give himself entirely to the problems directly connected with his duties. As he grows older in business his confidence in himself will increase and become part of himself.

The Value of Dress.—Dress is of value to the salesman only as one of the helps or clues given to the customer in estimating a man's position, and usually his worth. The first impression a new salesman makes is that given by

his outward appearance. This is sized up at a glance. Face, hands, and clothes, all are included. The first two, save for being kept clean, are in a measure beyond human control. But clothes in a degree represent the personality of the man. The rule is, of course, only a general one and not infallible. A crazy man may wear sane clothes, but a sane man is somewhat nervous in attire not conforming to the ordinary standard. An ill-dressed man may talk like a prophet, and a well-dressed man may be a tailor's dummy. The appearance of prosperity may seem to reflect the excellence of the goods sold. On the other hand, an overdressed man—one who seems to make dress his principal study—is apt to arouse contempt.

There seems then to be a medium in dress as in everything else; and the more quietly and neatly the salesman is dressed the better for him. He can offend no one. The spectacle of a combination of informal and formal dress is not inspiring and is apt to detract the thoughts of the listener from the reasonableness of the arguments. The diamond ring so often seen in company with an unwashed hand is more than offensive; while the effect of the best-dressed man is spoiled if he seems to carry the contents of a perfumery store concealed on his person. These things as well as peculiar tastes in dress betray the fact that the salesman is lacking in knowledge of human nature, that he does not study his fellowmen sufficiently. It will be apparent to the customer that he is dealing with a man who is not on the same plane of thought as himself, and consequently he can not be expected to view the question from the same point of view. Such a man may fail to get even a hearing.

Knowledge of the Goods Essential.—The salesman should have a clear knowledge of the goods he has to sell. If he hasn't, he must set to and acquire it. This means more than conning over the firm's catalogues and printed lists. His customers themselves using that as a hand-book may know the goods better than he himself does. He must, first of all, know the general uses of the goods

—from the printed lists and other sources—and having once done this, he should frequently visit the factory in which the goods are made, and thoroughly familiarize himself with the process of construction from the raw material to the finished product. He should absorb every bit of information possible from foremen and superintendents, until he understands the meaning of every step in the making of the goods he is about to sell.

He is then prepared to discuss his business with a sureness and intelligence which otherwise would be lacking, and his comprehensive knowledge of the goods, their quality of material, and manner of construction, gives him an advantage over an unskilled rival, and enables him to meet any competitor with assurance that he has at least equal knowledge. Besides knowing his own goods from A to Z, he should have, as far as possible, a similar knowledge of the leading goods made by competing firms. He can learn what they claim for their goods by examining their printed matter, and, discounting a certain amount of descriptive excess, he will ascertain the facts he wants. The printed matter will be sufficiently accurate, for no firm cares to issue statements which can not be supported. From the knowledge gained in the factory as to the making of such goods, a few minutes' examination will reveal to the salesman the weak and the strong points. Then, by comparison with his own goods, the exact points of difference can be studied.

“Do Not Knock.”—The wise salesman will, however, say little about his competitors' wares, but make use of his knowledge to strengthen his own arguments, without incurring the hostility of a friendly competitor by an appearance of “running down” or “knocking.”

The following is an extract from a monthly advertising schedule issued to the salesmen of the Western Electric Company:

“Gentlemanly bearing, frank address, mastery of your subject, and enthusiasm are all so obviously necessary that every one whose line of effort is sales work instinctively acquires or seeks to acquire these qualifications.

"Occasionally we see a salesman who has developed an exaggerated standard for one or all of these 'essentials' of salesmanship. It is easy to 'overdo' any good thing.

"We should particularly guard against that degree of enthusiasm which leads us to draw unfavorable comparisons with our competitors, which might in any way be construed as 'knocking the other fellow.'

"There is not one salesman in ten thousand who can institute unfavorable comparisons, reflecting on the integrity and fair dealing of another dealer or manufacturer, without creating the impression that the other fellow is a formidable competitor, and we fear him.

"Building up a customer's list on 'prejudice' is 'bad business.' Such a list will last just so long as you can find a new prospect to humbug—to take the place of the customer who 'woke up.'

"The only customers who last are those secured on a basis of 'Quality,' 'Service' and 'Fair Dealing.'

"You are happily placed in representing a company which can 'interest' anybody—anywhere—on this, the only solid foundation upon which a constantly growing list of satisfied customers can be built."

The Matter of Reading Character.—Says Mr. William Maxwell in an article in "Collier's":

"The young man who contemplates salesmanship as a profession may safely free his mind from the thought that the ability to read character is an essential qualification.

"Possibly, if a salesman could really read character he would also be gifted with sufficient versatility to apply a different method to each different kind of character. But who can read character? I don't understand my own character. You don't understand yours. How can you read mine? How can I read yours? The shallowest character lies too deep to be fathomed by the most penetrating eyes. The supposed manifestations of character which mark a long and intimate acquaintance with a given man are not to be depended upon. How much less can we rely on our superficial estimate of a stranger!

"Human nature is pretty much the same the world over—the United States over, at least. On the other hand, none of us are exactly alike in character or temperament. A salesman who had five hundred potential customers, and could read their characters and adapt his methods to the character of each, would have five hundred different methods—a different method for every customer. Manifestly no traveling man could have five hundred different methods. I have never known one who had as many as five. One method is the limit of the average salesman if you correctly define the word 'method.'"

Knowledge of Human Nature.—The salesman, as he progresses, however, will gain a valuable knowledge of human nature which, limited as it may be, will be of greater assistance, if properly used, than almost anything else he has been born with or acquired. Instinct will enable him to pick his way carefully among the difficulties of his calling. When the trained salesman enters the office of his prospective customer, he will, after the first few words, intuitively know if the moment is not propitious and will withdraw with a good-natured apology and promise to return at some less inopportune moment. He has the good sense to recognize, what some salesmen do not, that there are other factors in the carrying on of a business than the purchase of Mr. Salesman's wares, and that more important matters require immediate attention. These disposed of, the merchant's mind is free.

The salesman who can intelligently study his prospective customer, sum up his points of resistance, and find out his likes and dislikes, directs his attack without loss.

"That," says Mr. Wm. N. Bayless, Jr., "is half the battle; the other half is knowing when to leave.

"After the salesman has booked his order and the customer has signed it, the best thing to do is to get out. Unless he knows his customer very well, the salesman should not stand and gossip, because his customer's time is usually valuable, and he should not talk shop, for it gives the customer an opportunity for post-mortem reflection, and fearing his order has overstocked him he

may want to cut down on the quantities a little. Smile and say good-by.

"There was a salesman for a wholesale rubber house with the 'gift o' gab' who would talk a dealer into buying a bill of goods and then when the order was signed and in his pocket, he would sit and talk and talk until he talked his customer out of it, and often lost the order. Human nature is full of prejudices, often unreasonable; it is 'up to' the salesman who looks ahead to study these things and try to steer clear of them, even if they seem to be foolish.

"A certain young salesman for an Eastern manufacturer had been straining every means and power at his command all day long to put through a certain deal with a customer. He was a good salesman. He knew his line, his competitors' lines, his customer's selling plans, retail market conditions, etc. He marshaled his arguments logically and forcibly and was winning out. The dealer was finally brought to the point where the contract was to be signed. The young salesman leaned back in his chair and lit a cigarette in the enjoyment of a hard-won victory.

"Now, this dealer was a crusty old chap who had a violent and unreasonable antipathy for cigarettes. He did not mind a cigar, or even a pipe; but he hated cigarettes. He became so incensed over the offending cigarette smoke that he declined to sign the contract, despite all argument; and the best he would do was to promise to think it over until the next afternoon. Before the next afternoon came around a competitor of the Eastern house got in to see the 'old man' and the young salesman lost his contract. He had chosen the wrong moment to light his cigarette. Had he waited until after the paper was signed, or, better yet, had he waited until he got outside, he would have taken the contract away with him.

"Ninety-nine times out of a hundred, perhaps, a small thing like this would not have influenced a buyer against a good proposition.

"But that was the hundredth time."

Summing Up His Requirements.—Mr. Hugh Chalmers says: "I have had a great deal to do with salesmen. I was a salesman myself for a great many years, and I have employed and supervised the work of hundreds of others. There is an old adage which says 'Salesmen are born and not made.' I don't believe that. I believe that salesmen are made as well as born, and teaching will do a great deal to make a salesman. However, there are ten qualities which a man must possess to be a successful salesman, and as far as my experience goes, I should say that these principal qualities are Health, Honesty, Ability, Initiative, Knowledge of the Business, Tact, Sincerity, Industry, Open-mindedness, and Enthusiasm. I think these same qualities may be applied also to advertising men, or, as a matter of fact, to any man, because when you get right down to the facts, we are all salesmen. Every man is trying to sell his personality to some other man. He is trying to impress the people he meets. He wants people to think well of him; consequently he is a salesman, because he is trying to sell his good qualities to other people. A man may not have all ten of these qualities, but in proportion as he has them will he succeed.

"Now, when I say that he should have health, I do not mean that you want to go to the extreme of interfering with a man's private life and tell him what he should eat or drink, or anything of that kind, but I believe that in the selection of men the question of health should enter largely, because, in my own experience, a healthy mind is better nourished in a healthy body than otherwise. The man who has health of body is surer to have a healthy mind than the one who hasn't bodily health. On the question of the health of the salesman enter those things he shouldn't do. There is hardly a salesman in the country to-day but isn't doing one or two things that are injuring him. The greatest thing that bothers us all is our habits. I refer particularly to the subject of eating, drinking, and smoking too much.

"A salesman's mind should be on the *qui vive* all the time. Just like a race-horse, he should be ready to go when

the bell sounds. Now, every man knows that he is better off if he doesn't drink at all. I don't think that drinking ever benefited any man, and the same thing applies to smoking, but there are some of us that can do these things temperately and who are not much harmed by it. But if a man wants to take a drink or two, he should not do it in the day-time. A business man particularly should not take a drink until after six o'clock in the evening. We see very much less drinking in the day-time now than ten years ago, and I am very glad to see it, because, as business men, we have no right to do that thing in the middle of the business day which will in any way interfere with our efficiency for our afternoon's work. I know of nothing that will so unfit a man for business as a drink or two in the middle of the day, because at two or three o'clock in the afternoon he is lazy and heavy and unfit for work, and a salesman, above all others, if he feels he must drink, should not take a drink until after six o'clock at night. The man who will stick to this rule will have more dollars at the end of the year than the man who does not. I speak from experience, like the man who says: 'It pays to be honest, because I have tried both ways.'

"In speaking of honesty, I don't refer to it in its basest sense, because a man is nothing short of a fool nowadays who is not absolutely honest. But honesty goes further than just what a man does. Honesty means what a man thinks as well as what he does. After all, there is only one man in the world who knows whether a man is honest, and that is himself. It is both good sense and business logic that honesty in all things must be the rule of all men if they are going to succeed."

Some Legal Points Every Salesman Should Know.—There is occasionally some question as to how far a salesman's authority extends. As a general rule, it goes only to the soliciting of orders for goods, and unless the salesman is expressly authorized the sale does not become complete till the order is accepted by his principal. The salesman, however, has implied power to do anything

necessary to the successful performance of his duties, or that is the general custom among buyers and sellers, and the selling world generally.

Authority.—Such a custom must be known to the salesman's employer, or the sale is not binding. For instance, if a salesman takes orders in a town where it is customary to pay for such orders directly to the salesman, he may conform to this custom, provided his employer is acquainted with it. The principal or house will be bound by anything done by the salesman within the apparent scope of his authority. Although the salesman has no specific authority to do so, he may bind his principal by a contract with a buyer, not to sell the firm's goods to any one else in the same town. A salesman may warrant the quality of the goods which he sells.

If the nature of the work is such that he needs to hire a horse and buggy, then he is entitled to do so, but the house need not pay for the horse's board.

A salesman has power to collect money, when such power is given him either expressly or impliedly by the house, as where he has possession of the goods and delivers them.

Where a notice is printed upon a bill or invoice that the salesman is not entitled to collect, the buyer is usually supposed to have seen it, though this largely depends upon the prominence given it. In several cases it has been held that the buyer, if he did not see the notice, was grossly negligent and could offer no defense when called upon by the house for payment.

Though the salesman has power to collect accounts, and to receive money or checks payable to the house, he has no right, unless expressly authorized, to indorse checks and to collect them. The bank has been held liable in these circumstances.

Hotel Rules and Laws.—In most hotels there is posted up on the wall a notice referring to an innkeeper's act. In the eyes of the law all hotels are "inns," and the management is the innkeeper.

One of the things demanded by the law is that the hotel must supply any traveler with food and lodging. And in the definition of "inn," it should be noted, there are not included: Restaurants, saloons, apartment hotels, lodging-houses, and sleeping-cars. The management can dictate which room may be occupied, and can transfer the guest from one room to another if it wishes. If every room is full, then the management is under no obligation to accept another guest, though it may oblige him by letting him sleep in the parlor or in any other extraordinary place.

Payment in advance may be asked, and if refused, accommodation may also be refused.

A guest who neglects or refuses to pay his bill may be excluded from a hotel, and to protect himself from losses, the innkeeper may retain the guest's belongings to the extent of the hotel bill, but he can not detain or arrest the guest himself, or touch the clothes he is actually wearing.

A guest who is drunk, or filthy, or profane, or has a notably bad reputation, may be put out of the hotel. The refusal of the guest to give a name or address is no reason for refusal to admit.

The hotel is responsible for a guest's suit case or other luggage when he turns it over to a porter or bell-boy.

Where a salesman uses a sample-room, or parlor, or even his bedroom for the display of goods, and has control of the room and brings customers there, the hotel is not responsible for the goods shown there.

If the guest, after paying his bill, leaves certain goods to be removed, the liability of the hotel continues for a reasonable time. But if left indefinitely to be called for, then only ordinary care need be exercised, as the hotel is under no obligation beyond conferring a favor.

If, after the guest has gone, goods arrive for him which he arranged with the management to have forwarded, reasonable care only is expected.

If the guest is injured through the negligence of an elevator boy, a waiter, or other hotel employee, the hotel is responsible, unless there was some defect which was

apparent, and requiring reasonable care on the part of the guest.

Should a fire break out in the hotel, the management is not responsible for injuries received by a guest through failure to be warned of the fire.

A guest who has eaten food in the hotel, which through negligence is impure and deleterious, can claim against the hotel as responsible. For special liabilities, read the notice usually posted in each bedroom, detailing circumstances in which innkeepers are protected by statute from liability.

(b) Making the Sale

Granted that our traveling salesman has all the mental and physical qualities necessary for success—plus a carefully selected line of samples—the first thing in the actual selling campaign is to find the customer. There are several methods of doing this. The path may have been smoothed for him by direct advertising, and his visit will be the clincher in a series of follow-ups. If the goods he is selling are for general use all the stores in the town will loom large as prospective retailers. In some cases arrangements may be made whereby one store in each town has the exclusive right of selling the goods. But in any case, the salesman should make for the best stores first.

Acquiring Information.—The facts concerning the stores, their managers, financial and other conditions, are the groundwork on which the salesman builds. All this information will be of importance in assisting him to approach the customer in an effective way. Many salesmen are glad to learn something of the personal characteristics of the customer, and find this knowledge a strong reinforcement to their general knowledge of human nature and their special understanding of the goods they sell. Others prefer to present the wares they offer in their own way, unbiased by another's views of the man with whom they deal. Yet much of the information secured is valuable in ascertaining the financial rating of a customer before granting credit to any extent.

The information concerning conditions of local trade may be secured from people of the town, such as hotel-keepers. Though the old method of extracting knowledge from the hotel clerk is not so much in vogue as it was, there are always people willing to gossip on the habits of their neighbors. These data may not be reliable, but at least they have the imprint of public opinion and are not to be despised. As to financial rating of the prospective customer the salesman may be informed from commercial reports. An hour spent with the local paper, which may be obtained a day or two before visiting the town of issue, is not wasted, while an examination of the local directory, if there be one, may disclose some more facts. All information should be carefully noted for personal use, and occasionally for the use of the house. Friendly conversation with salesmen handling different goods but making the same calls may result in an interchange of useful tips, to their mutual advantage.

Getting in Touch with the Customer.—It is sometimes a matter of difficulty to get into the presence of a customer. The large merchant finds his time is occupied by a procession of salesmen, and is indisposed to see anybody whom he does not already know. This prejudice may be somewhat lessened if he has that morning, or the previous day, received an interesting letter mentioning the proposed call.

It must not be forgotten that selling is the pitting of wits against wits. The salesman wishes to sell at the highest price; the customer to buy at the lowest. The customer often attempts to browbeat his caller into submission, and his first move is to keep him waiting, either outside or in his presence. The commonest form is that where the caller is ushered into the office to find his prospective customer busily writing or reading. Some time passes during which a feeling of uneasiness steals through the salesman, until the moment when the customer suddenly turns round and snaps out a sharp "Well?" This is calculated to upset the inexperienced salesman and banish every convincing argument he ever had. The experi-

enced salesman recognizes in this a sign of timidity, a fear in the heart of the customer that he will be persuaded into something against which he has preconceived a distrust; or else that he is preoccupied with some piece of business.

In the stores of country towns and villages it is much simpler. The proprietor is more accessible, while in the smaller stores the salesman is welcomed as bringing the gossip of the town, or some news of a friend in the next town, or some business information, and it is sometimes difficult for him to get away.

An Illustrative Anecdote.—The following anecdote, published in several trade papers, illustrates the value of enlisting the customer's curiosity or interest. There was a salesman who wrote to a member of a publishing firm: "Dear Mr. Jones: There is a bundle of \$5,000 worth of gold bonds belonging to you and I can tell you how to get them if you will give me an interview, and it won't cost you anything for the interview or bonds. They belong to you and you are welcome to them."

The member thus addressed concluded he was dealing with a crank or a schemer. But his curiosity was aroused and he asked the salesman to call. The latter lost no time in doing so.

"Mr. Jones," said the salesman, "if you will give me just four minutes by the clock you'll get your gold bonds. Do you agree?"

"Go ahead," replied Jones.

"Here are samples of the paper, Mr. Jones, that you use in your publications. Here are samples used by your several competitors. Your paper is a little better quality, but you can just as well make it seventy pounds instead of seventy-five and nobody can tell the difference, quality being equal. Now you use sixty reams a month. I don't know what you pay for it, but unless the figures are closer than I think they are, I can probably quote one-quarter of a cent a pound less, for we sell from the mill direct. Without any saving in the cost of the paper, you save in this slight alteration of five pounds to the ream

3,600 pounds in the course of the year, which at five cents a pound will be \$180."

"But where do the gold bonds come in?"

"I will show you. What do you pay at present for your paper?"

By this time the publisher was interested and he called the bookkeeper and discovered that he paid five and a half cents a pound.

"Pretty close figures," said the salesman, "but I will make it five and an eighth. That saves you three-eighths of a cent on each pound. At present your paper is costing you—seventy-five pounds to the ream, sixty reams a month, 720 reams a year, five and a half cents—\$2,970 a year. I guarantee you as good a quality paper and give you time to investigate, if necessary will send sample sheets to your printer, and I will let you have it at five and one-eighth cents, which will make a total cost of \$2,683 for the year."

"But what about those gold bonds?"

"I am supplying you paper as good by chemical analysis, and by test of your printer, at a weight so little different that you can not detect the variation, and I am saving you \$287 a year. That figures out as the interest at 5% on \$5,740. Write out your gold bonds and put them in the safe at 5%. This saving pays you more than that interest."

The Personal Equation.—Says Mr. James H. Collins in "The Saturday Evening Post":

"The personal equation, built on understanding of the other fellow, sympathy with him, sincerity and self-control, marks the highest kind of selling. But tactics are its necessary framework. Moreover, where one salesman has grown into real personality, there are probably a hundred others who sell by tactics alone.

"All the strategy of the salesman's approach lies in the problem of interesting a customer surely and lastingly.

"Thousands of near-salesmen canvass the world of business every day and leave never a trace of themselves, even when they get a hearing. Entering a man's office,

they say their name is Smith, and tell him they have called to see if they can do anything for him—though they have really come to see if he can do anything for *them*. The man says he thinks of nothing at present, and they vanish like obedient ghosts. The man wouldn't know them if he met them on the street five minutes later, because they look just like Brown and Jones.

"But suddenly a real salesman enters, and begins to tell the man what he is going to do for *him*, and the man understands immediately and listens, even if he is hostile.

"The Smith type of salesman is afraid to offend. He does not understand that the way to approach is to approach, even if he has to be a bit rough about it.

"One morning a real salesman sat in an anteroom with a dozen near-salesmen while the buyer for a large company stood outside his private office, receiving man after man. The interviews were brief. Smith told his name, and the buyer assured him there was nothing that morning. If Smith added his address, the buyer gently faced him about and gave him a shove toward the door. The real salesman sat waiting until all his competitors should be sent off, because he wanted that particular buyer all to himself.

"When his turn came the buyer was a bit tired and cross. Yielding to temper, he tore the salesman's card into bits and turned without a word to enter his office. The salesman reached over the railing to haul his man back and get an apology for this discourtesy, and got hold of his coat tail, gave it a firm tug, and pulled it off. That made the buyer even more angry for a moment. He turned, came back to the railing, and glared. But in an instant he saw that this man's name was something more than Smith, and apologized handsomely. Then the salesman handed back his coat tail, and apologized, too, and this curious approach led to friendship and a great deal of future business. It was odd, and it was also real.

"In another case a salesman on the staff of a public service company was sent to see a merchant who had written asking for information about a certain type of service. That implied a ready reception for the seller.

But arriving at the inquirer's office he found him angrily scolding a salesman from a rival company. The merchant was not only angry at this rival company, but heatedly denounced all public service corporations, and damned salesmen in general.

"That seemed to promise a hostile reception.

"The salesman who had just come in saved the day by making a waiting approach. First, he waited till the merchant had blown off all his steam and sent his competitor away. Then he waited for the customer to do the talking.

" 'What can I do for you, young man?' snapped the merchant.

" 'Why, I'm here to see what our company can do for you,' said the salesman, tendering the merchant's own letter. 'Just tell me what you want done.'

"All the burden of explanation was thus put on the customer. He got interested, forgot his anger, and eventually gave an order for service running into tidy money.

"Many salesmen find their selling ability stimulated by the very difficulty of approach. They like the hard customers, and fail with the easy ones."

Saying the Right Thing.—After the prospective customer's attention is enlisted, the great problem is saying the right thing. The time, the place, and the man are all there. Now, what about the message? A certain amount of preparation is obviously necessary, in order to state one's case clearly, concisely, and convincingly. The salesman should have memorized the points he wishes to make; as he progresses he can alter, amend and polish up his scheme, and every call will show the weakness to be eliminated or strong features to be played up. Discrimination should be exercised in the use of those points. They are not applicable to every customer, and the information previously gained as to the idiosyncrasies of his prospective customer will decide what arguments should be employed.

It is a well-known fact that house-to-house canvassers



Automatic Sprinkler System

The most effective device for protection of life and property in a factory. When heated by fire in the immediate vicinity, the sprinkler heads on the ceiling open and flood the room with water

prepare their speeches carefully in advance. In fact, the house usually prepares these canvasses for them and requires them to memorize all such material carefully, as it is supposed to present the pertinent facts clearly, succinctly, and interestingly.

Selling has been compared to chess. Move must be met with countermove. The salesman having moved into the office or store, the customer makes his countermove. It may be expressed by him as "Take a seat," or "I've no time to-day. Look in again some other time," or it may even be "Get out!" In any event the salesman must have an answer ready. He must *always* have an answer ready to meet questions or admonitions that are sure to be fired at him.

Demonstrating the Goods.—Mr. C. L. Chamberlain, in a recent article in the "Bookkeeper," says:

"The successful salesman never tries to present all the good points found in his goods at once. He describes them thoroughly, but briefly. Whenever he secures a new point of view from the merchant, he at once presents his proposition from the new point of leverage.

"He must show not only that his goods are strongly and neatly made, but he must show why they are better than others on the market. The merchant is already buying the same or similar articles elsewhere, and he must be shown why it is to his interest to change.

"It is never well to criticize competing goods too severely. If the merchant has been buying a rival article he has doubtless learned its weak points without the necessity of the salesman's telling him. Showing the new goods in their favorable light, mentioning their strong points—strong where the competitor's are weak—will always accomplish more than merely 'running down' the rival goods. The intelligence of the merchant may be trusted to make the necessary comparisons, whether he so expresses himself or not. He may not at once admit the superiority of the new goods, but, if it is really there, he has seen it and thinks all the more of the salesman for not criticizing his competitors.

"By showing what is required in goods of the nature offered, or by creating a standard of grade which the merchant must accept, is one of the best methods of beginning the sales talk. When the salesman and merchant have agreed upon the standard to be attained by goods of the class offered, the salesman should, one by one, lay down the good points of his goods, clinching every statement by demonstration with the goods themselves if possible, or by arguments which the merchant will find hard to deny, after having accepted the premise or standard of excellence first laid down. When the list of points of excellence has been covered, the salesman will have, so to speak, 'standardized' his goods in a manner which the merchant will find all but unanswerable. Just what course the merchant will take depends largely upon individual temperament. Some will admit the truth of the statements, and give an order. Others will admit the apparent truth of the statements, but express doubt as to their proving so under actual trial. To all such a liberal offer on 'first orders' will usually appeal and cause them to order. Others may admit the truth and still not order, giving no reason at all; and worst of all to reach and convince are those who make no reply at all—those who neither admit nor deny. With these it must be a battle of wits until the merchant makes some statement on which the salesman can rest his arguments. This class of people is the most exasperating for the salesman, for one can never tell when his hottest arguments are taking effect, or when they fall back leaving no impression."

Clinching the Sale.—One of the last points, but one of the most important, is to know how to close the sale. Nothing is more pathetic than to see an energetic salesman who has exhausted all his eloquence, shown all his goods, overcome all the other fellow's objections—and yet has not clinched the order. It takes a man with true psychological instinct to know what to do next. Has he said too little? Has he said too much? What is the hitch? The trained and experienced salesman is always ready with something which may lead him to the close.

In the proper demonstration he has proved his points like a proposition in Euclid, but there is often a pause before driving home the idea that he is there for the purpose of getting an order and has no intention of going away till he has it. In the case of a salesman who has had experience with all sorts of people, the close arrives quite naturally at the end of the demonstration; it is its natural sequence. Even if he doesn't sell to every prospect, he keeps up the standard of his salesmanship.

When the customer expresses himself as prepared to buy, and may say to what extent, a real salesman knows that it is time to leave off arguments and devote himself to booking the order and arranging the terms of payment.

Saying Good-by Gracefully.—When the sale is made, the salesman should take his leave as soon as possible without appearing to be abrupt. Once the order is in hand there is no possible object in praising the goods. It may even hurt the salesman. On occasion a brief parting remark as to the pleasure and satisfaction that will result from the purchase has distinct advantages. But as a general rule the salesman should make for the door while the customer is still showing an inclination to talk, rather than overstay his welcome. The tactful man always knows the proper moment to leave. If it is a first call, the salesman may wait a minute or two, if he sees a desire on the part of the customer to learn something of his house and its methods, or of trade conditions in general, and he should answer all inquiries to the best of his ability. Later on, when a few calls have been made, an inquiry from salesman to customer as to some hobby or sport in which the customer is interested may not be out of place, and may create a feeling of friendship. A man does not like to talk business all the time. He may enjoy hearing a good story, on the heels of which the salesman can say good-by gracefully and depart in a ray of sunshine. But these are only special instances, not general rules. The experienced salesman who knows how to reach and land his man will know instinctively how and when to say good-by.

(c) Advertising and the Salesman

Advertising makes but one appeal, it has been said, to the reader, while the personal salesman can vary and modify or enforce his appeal to win his customer. The advertiser appeals to a class, not to an individual; to men, not to a man. The salesman concentrates his energies upon one man and derives the benefit of his personal contact.

The two varieties of salesmanship are differentiated by the main fact of the direct personal contact working for the advantage of the personal salesman, and the absence of that contact, in the advertiser's work; yet along certain lines of effort and study both salesmen and advertiser must be fellows in the struggle.

Harmony Necessary.—When the finished product of the factory is placed in the storeroom ready for shipping, it comes under the care of the salesman and advertiser. The factory has washed its hands of the finished goods, and the sales department is now in charge; if the product is to be disposed of in the largest quantities and to the best advantage, the sales department must work in harmony with the advertising. As a matter of fact they are naturally one, though many large firms spending great sums in advertising still look upon them as independent factors.

Mr. George French, in "Advertising and Selling," says of the connection existing between the two activities of salesmanship:

"The same problems confront the salesman as are the motives for all the work of the advertiser. They both have to consider the man who is to buy, and study how to get his favorable attention, and stimulate his action. The salesman has the very great advantage of personal contact, and is therefore able to resort to many expedients that are denied to the advertiser who is obliged to arrange and condense his whole plea into one message, and to commit that message to print or writing. The advertiser has one of the most intimate and delicate of personal messages to de-

liver, but is denied personal contact. The salesman has a no less delicate and difficult task, but he has the advantage of personal contact, and is able to adjust his method to accord with the disposition of the buyer, as it is manifested during an interview. This gives him a very great advantage over the advertiser, and enables him to make a much better record of sales. The advertiser needs to know all the habitual workings of the general mind, the average mind. The salesman needs to know the same thing, and in addition be able to take immediate advantage of such variations as are constantly evidenced by individuals. The advertiser can not profit by the variations, while they may in many cases be the chief cause of the success of the salesman. The salesman, it may be said, must be a clever observer of men, while the advertiser must be a good student of human nature. The salesman must be the more clever; the advertiser should be the more cultivated. One must have the faculty of taking instant advantage of opportunity, while the other strives to create the opportunity that he wishes the reader of his advertisements to avail himself of. One must endeavor to adjust his goods to the discovered needs and inclinations of the customer, as a personal interview reveals those inclinations and needs; the other must strive to modify the inclinations and needs of the customer to bring them into harmony with the goods he is advertising. One is the working of one personality upon another, through personal touch; the other is the working of one mind upon another mind, without personal touch, and without opportunity for modification.

“What is necessary is that the chief salesman and the advertiser shall realize that both are attempting to do the same thing, but by the application of different methods. Both are working to sell goods. That is their platform for mutual labor. The advertiser can not sell goods by the methods of the salesman, nor can the salesman advertise effectively. But both obtain the same results—both sell goods. That they both sell goods, and because it is the prime object of each to sell goods, is the reason for their close cooperation, the reason why they must both

work for the same ends and upon the same general platform. The association of the advertiser and the salesman is more intimate than is usually to be secured through mere cooperation of independent heads of departments. It is only big men who can work together heartily for the one object, unless they have a common commander, or unless one is in authority. Therefore it is better that the advertising and sales department be one, so far as control and general policy are concerned. That this is a wise policy is being recognized by a few wise men."

Bond of Connection.—A bond of connection between salesman and advertiser is that formed by the goods. An intimate knowledge of the goods, their manufacture, quality, and distribution, is required of both. Add to this a close critical consideration of the prospective buyers, and the methods of securing them, and it is seen that the standpoint and object of salesman and advertiser are substantially the same.

It must be remembered in both cases that the buying people are generally a fixed element, not subject to change. If there is any changing to be done, it must be in the nature of the goods themselves or in the method of selling. The salesman must know what he is trying to sell, and the more he knows about his goods and the process of manufacture the more leverage he has in selling.

Oddly enough, there are firms that to this day demand nothing more of the salesman than a gentlemanly address and a pleasant way of inquiring: "Is there anything in our line needed to-day?" They use the salesman only as a moving reminder that they are still in business and at the old place, and that while they would like to have a firm's custom, it is rather beneath them to beg for it. This is a theory which tends to breed a curious branch of salesmanship, and a still more peculiar race of salesmen. It is the man who sells, or devotes his energies to attempted selling, who is a salesman, and to him this knowledge of the goods is the primary factor in success.

So, too, with the advertiser. It is even more important that he should know every peculiarity of the process of manufacture which differentiates his wares from those of others, that he should know everything about them that is to be known. It is the advertisement backed with knowledge which tells. Others may attract, but this convinces. He does not declare that he is creating a need, he persuades that he is only ready to satisfy a need which has been in existence all along.

While a thorough knowledge of the goods is essential to successful salesmanship, the importance of the laws of human nature and of the laws of psychology can not be overestimated.

How the Salesman is Helped by the Advertiser.—The manufacturer, or indeed any house with something to sell and salesmen to help sell it, may considerably increase sales by constantly keeping in touch with customers through some reminder, literature, or announcement of new goods or special bargains. Once the salesman realizes that his house is backing him to the utmost, decreasing the difficulty of his work, and making his commissions leap up beyond the old scale, he will be inspired and stimulated to further effort. The average salesman covers a large territory, and while he is in one section, a regular succession of good advertising matter will be preparing customers for his forthcoming call in the next section. It may even induce instant ordering from the head office, but at any rate it will make many a person delay the order that might have gone to some one else until the salesman arrives. The house is really brought into prominence, and an assurance is given the customer that his order will meet with quite as much consideration from the house as from the salesman, while the house will have the satisfaction of knowing that the customer is really doing business because of the house and not as a personal favor to the salesman.

Miss Helen Shaw, author of "Profitable Advertising," says: "Any business man who stands in terror of his salesmen because they 'sell the goods' might do well to

wake up to the fact that it is his own fault if salesmen, when they leave him, can carry an appreciable amount of business to a competitor. A salesman may hold trade by courtesy and favor, but an intelligent sales manager and a wide-awake advertising department can create such a favorable impression for the house that customers in the remotest corners of the earth may soon be made to feel personally acquainted with the concern—can be made to feel that it is the particular business of somebody to sit at a desk in the main office and attend to their individual needs. This is accomplished not only by prompt and careful attention to inquiries and orders and by systematically following them up, but also by frequently sending special literature and an occasional letter or mailing card. When the individuality of a concern has become impressed upon a customer who receives good treatment, the call of a competitor's salesman will seldom carry away the order, especially if a neat little reminder happened to drop out of the morning's mail. And these same ties of personal touch with the home office are what will hold business when the best salesmen go over to a competitor.

"Business should be built for the future, not for the moment. The success of a house should not rest upon the shoulders of one man, or of any number of men. A proper organization lives and grows beyond the coming and going of men.

"The loyal salesman glories in the permanent organization of his house. He is one with the firm—may become a part of it some day; he is working for the firm, not for himself. Both for its effectiveness in establishing intimacy between the house and his customers, and for its immeasurable help in keeping business moving throughout his territory while he travels from point to point, and because, as he goes, he can actually see the good work go on, the traveling salesman appreciates, perhaps more than any one else, the importance of direct methods in advertising and of systematically 'keeping at it.' It not only sells goods when he can not be on the spot, but the little pamphlets and other special missives send the

arguments on in advance, and a man will often read when he will not listen. The result is that the salesman has fewer obstacles to overcome, has saved many an argument, makes more sales and makes them easier, all because of the kindly aid of systematic advertising—direct.”

(d) *The House and Its Salesmen*

No sales manager should set an impossible limit for the salesman to reach. There are many details that should be taken into consideration before setting any mark. For instance, the sales manager must certainly study the condition of his whole working field broadly as well as in regard to local features; the financial state of the country, which may be upset so far as he is concerned by the failure of crops or some such cause; the salesman's own ability and length of experience; and the character, nationality, financial rating, and other characteristics of his customers. All of these are factors working for or against the salesman. Once the sales manager has all this at his finger ends or in the reference files easy of access, and has realized what it means, he can set a certain fair standard. No man likes to think—and it is easy to think it—that he is being worked to his utmost, and that he must exert every pound of man power in him to serve his firm, with the fear of dismissal always at his back; anything like this is likely to breed the wrong spirit, discontent, and the desire of change. If the sales manager realizes, however, that the salesman is eager to make a good showing in the race, without the need of spur and whip, then business will go smoothly.

The Spur of Competition.—In selling, competition plays a leading part. Not only does the sales manager himself pull with his salesmen against the sales manager and the salesmen of another house, but he pits his own salesmen against each other in a spirit of friendly rivalry. This serves especially to enliven the man who sells at a distance, as too often his share in building up the prosperity of his house seems too small to be counted. He is inter-

ested in its success, to be sure, but only inasmuch as it insures the stability of his position and the salary he may demand.

The question of whether his house will rate him a hundred thousand dollars more than it did last year stirs him but vaguely. If, however, the salesman in the next territory shows sales which make his own look unimpressive, there is a spirit of emulation created. It is a point of honor that he should make a better showing, not in jealous rivalry or by the aid of practises not commending themselves to the fair-dealing man, but in fair and open competition. And it must be competition in which all will have a chance, so that there shall be no feeling of hopelessness striving against bigger odds than one's capacity. The best in each man must be extracted, and it can not be done by setting weak and strong in the one sphere and on the one level.

The live question of competition as it exists between house and house will be found treated under its own head in the next chapter.

Evening up the Salesman's Chance.—The sales manager should arrange his distribution of territory in such a way that a notably difficult territory to sell goods in will be covered by an experienced salesman, and a newcomer to selling will be allotted to one in which salesmen are welcomed.

A basis may be arrived at by dividing first the country to be covered into:

1. Territories.
2. Towns in each territory.
3. Population in each town.

Then an estimate should be made, based on the number of towns worked and unworked, actual customers and prospective customers, and the amount of business being done by customers individually. By this means the amount of business actually being done, also that which may be calculated on as future trade, can be apportioned in various ways. The whole estimate furnishes a standard for the salesman. At the same time the sales man-

ager himself has a mark of business to keep up to—that furnished by an aggregate of all the territories.

The salesman, on being assigned to his territory, may be encouraged to increase the sales by a certain percentage; with rewards for reduction of selling cost, etc.; small number of credits, complaints and orders canceled or returned, bad debts, etc.

Keeping in Touch with the Salesman.—Every business house desirous of knowing the exact location of its salesmen employs the *tack-map system*, of which a full description is given under *Office System and Management* (Vol. I). By this means the sales manager can keep track of the movements of every traveling agent or salesman, the times of his visits, number of inquiries and sales, success or nonsuccess, and any special facts.

The tack-map system, properly operated, can be effectively used to keep up a constant check between advertising and sales departments of a business. Mr. H. Tipper, advertising manager of the Texas Company, says:

"I have in my department a series of tack charts by means of which I follow studiously the progress of our sales department in covering territory. If a particular area seems not to have been properly covered, I ask the sales manager what the trouble is and ascertain what I can do to relieve it. The tack map in the sales department, operated in a somewhat different manner from mine, immediately gives the sales manager a full statement of conditions and enables us to cooperate with a complete understanding of each other's needs."

In order to keep a finger on the pulse of business, as it beats day by day, week by week, and month by month, it is usual for the house to receive daily reports from its salesmen, including sales, traveling expenses, etc.

An instance of the effectiveness of a well-defined system of keeping in touch with the sales force is that devised by Robert H. Ingersoll & Bro. some fifteen years ago, and constantly improved until it now approximates perfection. Earlier in the history of the business it was found necessary to arrive at a means of keeping in touch with a great

number of salesmen and dealers in widely scattered districts, while anticipating at the same time future increases in the selling force and in the number of middlemen handling the product. This foresight has been amply rewarded. The plan conceived and put into effect by Mr. Robert H. Ingersoll has been described by him thus:

"Each salesman sends a daily report of his work to his division manager. On these reports are filed merely the orders 'entered.' These reports are not considered in the final estimate of the salesman's value, as many 'entered' orders are not filled. So these daily reports are later verified or corrected by the salesman's weekly reports. On these daily and weekly reports the division manager bases his weekly statement to the company.

"These reports from the two division managers are brought up for consideration every Wednesday morning. The records from each territory are compared with the records of the same territory for the corresponding week of the year before. Any marked discrepancy results in letters for further information or with special instructions. In some cases a special salesman may be sent to find out the causes. In this way a careful watch is kept on the market, and any decline is promptly checked.

"A monthly, quarterly, and annual report is also sent by each manager to the company. On these monthly reports the 'entered' orders are discarded and only the 'shipped' orders are noted.

"Each of these reports shows corrections and condensations of the preceding reports. For instance, the manager's monthly report indicates on a single sheet the name and record of each salesman for the period indicated, showing the amount of business received from him, the amount of his business which the company has 'passed,' the amount which has actually been shipped, together with the percentage of his expenses to the business he has transacted.

"To keep in still closer touch with the salesman, an individual card record is kept, to show in detail the record of each year. The annual record cards are then filed together for reference."

The Troublous Question of Expenses.—The moment in which one employs a salesman signalizes the appearance of the traveling-expense account. The salesman will depart on his travels, and at periodic intervals will forward to the house his accounts for money spent by him in his pursuit of business. Occasionally doubts arise in the mind of the head of the house as to whether he might not put his money to better use, but if business orders accompany the accounts no fault is found. Much, of course, depends upon the honesty of the salesman, and as a class salesmen are honest. Still there are moments in which, while recognizing the need of spending money to induce business, the head of the house has a silent desire that he might direct the spending of that money, or at least say a few words of admonition.

Consider that the salesman is out of reach, that money may be spent foolishly and rashly without bringing adequate return, that the use of the money may be such as you would strongly disapprove of, that you are not in control of your own money, and that sometimes you would rather it were a bad debt than an everlasting drain on your money. Consider all that, and then reflect calmly on the purpose of the expense account. Your servant is doing your business. It is right that you should bear the cost. It is as right, at the same time, that your salesman should not take advantage of you, and that the account he renders should be exactly what it purports to be—a note of outlays on behalf of the house.

What may be fitly included in those outlays? There are many varying opinions on the point, but the following are generally conceded to come under the head of legitimate expenses:

Transportation: which covers all traveling expenses by any method whatever, and all baggage charges.

Living expenses: Hotel bills and all payments for food.

Laundry: A necessary item if the salesman is to appear neat.

Entertainment: Meals, drinks, cigars, theater tickets—which are usually made up for by orders.

Full details, as far as possible, should be given in the

daily reports. They should then be carefully scrutinized, and a gentle hint as to the reduction of certain items, if they appear to be increasing without proportionate return, may be given.

The Encouragement of the House Organ.—Many successful houses publish a house organ devoted entirely to their own interests and those of their salesmen. The spirit is wholly commendable as showing interest in the doings of the salesmen, and as encouraging interest in the broader doings of the house on the part of distant salesmen and agents. Every salesman ought to be interested in knowing what his fellows are doing, how their sales are coming along, and what methods of selling they are finding to be best suitable.

The house organ should not be technical. In the case of a firm whose factories are in a continual state of developing new machines, a description of anything new should be given with full description for selling pointers. Extensions and changes should be noted. A note as to the amount of business done, increase of sales, the carrying off of a big order from a competitive firm, or anything increasing the prosperity of the house is always of interest, as showing the salesman that, in doing his part, he is contributing in a measure to the good fortune of the house.

The sales manager usually writes a letter of personal advice, touching on topics of vital interest to the salesman, indicating selling pointers, ways of overcoming difficulties, and generally encouraging his men. In it he also outlines the selling policy of the house, and notes any intended changes. It should, however, be written as pithily, convincingly, and brightly as possible, and in a spirit of optimism and hope.

Salesmen should always be encouraged to write for the house organ and to report, in a lively way, the incidents of their travels and troubles. Their successes should also be chronicled, and the young salesman will learn much from reading another's story of the methods he employed to pull off his record order, or how he fell down; for both

are interesting as showing pitfalls and means of escape. There are many mirth-provoking occurrences in the career of a salesman, and a humor page should not be hard to fill. Some houses go so far as to print a daily sheet, containing daily records of sales, extracts from letters of those on the road, a pithy encouragement or motto, to be mailed to all members of the selling organization wherever they may be.

In some cases this plan seems to be the better method of the two, for a house organ must necessarily be prepared several weeks beforehand, whereas the daily sheet, without fine cover or illustrations, can be rushed off from writer to salesman, almost as soon as written. It is the realization that the news reported is what happened yesterday or the day before, that conditions are the same, and that the report of a big order may be duplicated by any of the salesmen reading the sheet, which keeps alive the heart of the salesman, who is sometimes meeting with bad luck. At the same time, a publication such as this creates the feeling among salesmen that they belong to a brotherhood. It makes them acquainted with one another, and inspires a feeling that they are a part of an active working whole and are vital to the working of the machinery of the business. It is this idea of cooperation, built on interest and enthusiasm, which sustains the fabric of any selling enterprise.

Personal Letters.—Some houses are not merely content to send out printed matter, but make a point of personal letters at intervals—not regularly, but just when the sales manager feels in the mood. The salesman outside of his daily reports should also write the sales manager an occasional friendly letter, and regard him as a person to whom he can turn for advice. Anything which tends to increase friendliness between house and employee is good, if suitable discipline is not lost sight of.

A personal letter from a sales manager praising a good bit of business is an encouragement, just as the foolish "knocking" letter sometimes is the death-blow to enthusiasm. The salesman who has had a stroke of bad

luck, and who is feeling that he might by some super-human effort have brought off the deal, and has forgotten a success of the week before, is in no fit frame of mind to get a letter full of sarcasm. Still, such a letter is often sent and works as much mischief as a month of "no sales." Perhaps as bad an inspirational factor is a wishy-washy collection of generalities on salesmanship sent to an experienced man. It is for him the birth of distrust in the capacity of his sales manager, and he may begin to get "cold feet" as to the permanency of his house.

The best letter is that which breathes encouragement, inspiration, and enthusiasm. Praise should crowd out reprimand. Past failures should never be brought to light again, and the opportunity of the future should be well to the front. It should bristle with helpful hints and good advice, while eschewing the schoolmaster and pupil spirit. Above all, let the sales manager remember that his salesman is receiving constant discouragement, is tossed about from door to door, buffeted and knocked by the people to whom he is endeavoring to sell. It is not the part of his house to repeat the dose, but rather to heal his sore head and encourage him with the remedy of hope.

Training the Salesman.—As has been emphasized several times already, the salesman is largely a manufactured product. Several concerns devote a considerable part of their energies to the training of salesmen, though formal instruction in salesmanship is still regarded by many in the business world as something ridiculous. This heaven-sent gift of persuasive magnetism is a thing of birth, not of cultivation, they say. Does the great poet need anything more than a sheet of paper and a pencil and the power to spell? As a matter of fact the great poet does. And the salesman needs salesmanship drill night and day till he begins to feel he is a salesman. There is a prevalent idea which lingers in the mind of the business man, that any one can be cast into the troubled sea of competition loaded with a gripsack, and that if he has it in him he will land on the shores of Prosperity with a bunch of orders. This is in line with the idea that the best way

to teach a boy to swim is to blindfold him, lead him to the edge of a pier and push him in. If he does not learn to swim in that painful moment, then he will never have energy or inclination enough to learn. But, unfortunately, when the boy is pulled out he may ever after be mortally afraid of the water. The same applies to a salesman. It is not well, as a rule, to take a new and inexperienced man and thrust him into a salesman's job. If he has no training, he is likely to fail purely for lack of it; and the failure might be a "star" salesman in the rough, just wanting careful development and polishing.

Given a man with a certain natural ability, then he may be trained. True, there are many things that he can only learn by actually rubbing shoulders with the buying world, but his training will prepare him, and the knowledge of the principles underlying salesmanship will fit him, to face many of the problems which must inevitably confront him.

One of the most noted training organizations, as Mr. Hugh Chalmers has pointed out, is that of the National Cash Register Company. We have seen how a knowledge of the goods is one of the important factors in a salesman's success. In this case the salesman has to know the mechanical properties and good points of over three hundred different types of machines. This in itself is a task requiring considerable earnest application. When it is considered that the company supplies machines to fit every kind of business, it will also be seen that a knowledge of the requirements of those businesses is induced by a knowledge of the mechanical qualities of the goods. It stands to reason that the old school salesman, lacking all this necessary information, committed many blunders. He tried to sell to wrong people; he sometimes did, and then complaints poured in that the machines were unsatisfactory. They were in the wrong place. A machine suitable for a drug store might have found a resting-place in a restaurant. So it was that the ordinary salesman became a back number, and it was resolved to catch salesmen when young and train them to be "salesmen extraordinary." A school for salesmen was formed, and to-day each single salesman, and there are now over eight hun-

dred, is qualified to sell any one of the machines. If there is a business for which no machine seems to be entirely suitable, then the factory sets to work to invent one, and the instant it is tested and found up to the mark it is added to the school curriculum.

The sales manager has a difficult problem to handle in that salesmen are notably most difficult people to deal with in a temperamental way. With proper tact, however, the sales manager can afford to indulge their whimsies.

In the company we are quoting, the salesman is always a student. He is never too old to learn, and he only graduates for good from the school when he leaves the service of the company. Schools of training are distributed here and there over the territory covered by the company.

Stage One of Training.—The first course given to the new salesman, whether or not he has had experience, is one of six weeks, divided as follows:

Two weeks.—Attendance at a class, with his fellows who have just joined, in which he is taught to clearly describe the various makes of machines and to demonstrate their operation. Methods of approaching, interesting, and convincing a customer; daily examination. Then a written examination, which, if he passes, takes him to—

Four weeks—during which he accompanies and watches an instructor making actual sales; tries himself and is shown his errors; is gradually allowed to go out by himself, and is encouraged, advised, and educated by further advanced salesmen, and still attends office for a part of the day to receive instructions or to gain any hints.

Stage Two.—At the end of his six weeks the salesman is either proved of no possible training value and his services are dispensed with, or, if all has gone well, he is made assistant to a sales agent. The sales agent's commission is on all sales within the territory assigned to him. It is therefore to his interest to increase the sales of the salesmen under him, whom he pays himself, and he

can only do so by taking a personal interest in their further efficiency. He himself is an experienced salesman, and the young assistant receives advice, correction, and help on every occasion and is assisted in his difficulties. A few months pass, and he comes to:

Stage Three.—The salesman now returns to the head office or factory and is given an advanced course of schooling in salesmanship. He is taught more about the mechanics of his goods and their adaptability to certain business systems. But principally he is drilled in the thousand and one foolish objections to the use of the goods and is supplied with answers to them, effective and true; also, to increase the pulling power of his sales-talk, he is enriched with a wealth of illustrations, logically connected with his selling, and convincing. Everything is done to increase his personal selling power and equip him with arguments which are not merely theoretical, but which have been proved over and over again to have an influence in selling. There is no question which may crop up that he is not coached and trained to answer. The human interest is never obscured by any subtlety or ingenious perversion of truth. Daily demonstrations of sales are given by two experienced salesmen in which the whole drama of a sale is enacted with all its varying stages of attack and defense. Lectures by officials and intercourse with company officers and department heads all contribute to the salesman's education, and enthusiasm is roused as much as possible.

The salesman is made to feel that he is an integral part of the company, and that his every-day deed is a matter of the kindest concern to his superiors and fellows. At the end of the session of six weeks examinations are held and prizes and diplomas given. Then the salesman once more returns to his post, or, if worthy, stands in line for promotion.

Expert vs. Amateur Methods.—Mr. Worthington C. Holman says: "A vast number of sales managers use no more science in developing and coaching their men than

the captain of a grammar-school football team shows in directing his players. Watch such a lad at work. He confines his activities to three functions:

"1. He picks his players and assigns them positions.

"2. He exhorts them with frantic shouts to 'play hard.'

"3. He scolds the lads that fail to play to please him, and 'fires' them from the team, replacing them with others equally green and unsatisfactory.

"Compare his crude efforts with the wonderful coaching system of a Harvard or Yale or Michigan football eleven.

"Here is a lesson for sales managers who want to build up a strong selling force. We may not approve of college football, but we must admire the effectiveness of its coaching systems.

"Think of the 'higher education' in football which these ambitious players receive; the systematic instruction that is given them in the early part of the season; the individual weaknesses that are overcome by training; the scientific ground-gaining plays that are taught to all, the regular drill, drill, drill the players go through, the encouragement and warning, the impartial praise and rebuke which is bestowed upon them according to their deserts; the inspiration to achievement which they take in with every breath! Is it any wonder that the green men become finished players? Is it any wonder that they develop team work? Is it any wonder that they grow into a marvelous living organism, a piece of vital, inspired machinery which plows through untrained elevens, though composed of giants, as if they were made of paper?

"Do sales managers use such science in developing their teams of salesmen? Some do. And their systems and services are worth hundreds of thousands of dollars to their companies. But a vast number of them do not bother with these things. Like the grammar-school captain, many a manager confines his activities to three functions:

"1. He chooses his men and assigns them territories, remarking in substance to each: 'We have handed you a sample case and a catalogue. That ends our responsi-

bility. The rest is up to you. Look over the samples and study the catalogue, and so find out what you are selling. Keep down your expense account and send in lots of orders. Remember everything is up to you. We shall keep careful tabs on the results you get. That's all. Good-by.'

"2. The manager imitates the schoolboy's shout: 'Play hard!' He monotonously and threateningly exhorts his men through the mails to 'Do more business.'

"3. If a salesman, when thrown bodily out into space in this way, lacks the cat's ability to perform a frantic contortion in the air and land on his feet—in other words, if he fails to 'make good'—the sales manager discharges him, and replaces him with another green and unsatisfactory man, and so continues indefinitely.

"The history of most of his men can be summed up in the four words: 'Hired, mired, tired, fired!'

"Then the manager wonders why orders do not increase. The reason is that he doesn't understand his business. Instead of developing his men, and coaching them on to victory, he has merely prodded—prodded them into discouragement, resentment, and defeat. A sales manager should be a coach, not a prodder. He should guide and instruct his men; he should show them how and explain why."

How the Salesman Should Act toward the House.—

The salesman on his part may maintain cordial relations with his house by the observance of a few cardinal rules. First of all, the honesty and loyalty of a salesman should be apparent beyond the shadow of a doubt. If he is not confining his selling powers to the firm employing him, then he is handicapping his employer's business to that extent. He is harming himself, for the suspicion of such a thing will withdraw from him the backing and personal interest of the house. There is no doubt that the traveling salesman has temptations to handle side lines. He is away from the observation—though less than he probably thinks—of the head office; his time is sometimes not filled up as it might be, and

he considers himself free to do other work. The house, however, it must be insisted, is giving him opportunity which he must use to the fullest. Its interests are large enough to occupy his whole time. It is his duty to make business to occupy the time. Old business will not keep a firm going, however well established it may be, and the salesman must spare no effort to obtain new accounts.

Keeping the Expense Account Down.—The salesman is probably not as much troubled by the question of the expense account as is his employer; still, he is often confronted by financial problems affecting himself and the house, and it is to his credit as an honest man that usually those problems are settled in favor of the house.

This expense account is a necessary evil in selling, and should be kept down as low as possible. Several houses encourage salesmen by the offer of monetary rewards to reduce selling costs, and the expense account offers a good starting point. The salesman has, for the payment of his expenses, an ultimate sum to draw upon, and some salesmen can bleed the funds very successfully and yet exhibit perfectly legitimate reason and receipt for so doing. It rests entirely with the salesman as to what his daily expenses shall amount to, and whether or not he has doctored the account he sends.

Some few "Don'ts" as to expenses may indicate what is often done, and what naturally should not be done.

1. Don't rob the firm of your time and energy by traveling in the daytime and part of the night, when you might make the journey at night, and then try to salve your conscience for charging up unpaid sleeper fare on the score of increased discomfort. You have no right to unfit yourself for the next day's business when the firm is willing to give you every comfort.

2. Don't travel mileage on the regular train or on a pass, and then charge limited extra fares.

3. Don't skin excess baggage charges.

4. Don't enter up a carfare charge every time you walk two blocks.

5. Don't use the hotel free bus and then charge for a cab or bus fare.

6. Don't be afraid to patronize the laundry man, but don't send in bills large enough for two.

7. Don't endeavor to make on your hotel bill, and don't induce the clerk to assist you in making out a fake receipt, by hinting that you might go elsewhere on the next visit.

8. If you can help it, don't pass in an entertainment expense account. If it is necessary to pay for dinners, cigars, drinks, theater tickets to win customers, show the firm that they are getting something out of it. When you pass in the account let a substantial order accompany it. But, above all, keep this price you pay for buying business at a minimum, and the house will be richer annually by a large amount. It is merely a question of downright honesty.

5. SALARIES AND COMMISSIONS

There are three methods of paying salesmen: (1) by straight salary; (2) by straight commission; and (3) by salary and commission combined. All these methods have advantages and disadvantages inherent in them as applied to individuals; one will be found the best in the case of one man, another in another.

1. The Straight Salary.—The pure salary holds generally in the case of inside office men. The inside man can be encouraged by an occasional raise of salary, but his work is seldom of a kind on which any scale of commission could be based. The salesman outside the office, working on straight salary, knows, of course, that his sales are being tabulated, and that if he does well his salary will be increased. But he does not see the immediate result of his good work, and he is too apt to lose interest in the amount of his sales and become more or less of a machine. There is another type of salesman who is satisfied with moderate sales, such as he thinks his salary is worth, and who will take as much of his time

as possible for his own projects. Many salesmen combine selling on their own account with selling for their office; and their real enthusiasm goes rather to the former than to the latter, since they receive an actual percentage of profit from what they sell for themselves.

2. The Straight Commission.—The firm should always endeavor to employ not merely the grudging minimum of the energies of its salesmen, but their enthusiasm and their whole interest. This end, however, is not furthered very much more by payment in straight commissions than by salaries. A man who sells purely on commission is usually not attached to the house as closely as the man who sells on salary. He will not have the interests of the house so closely at heart. His object will be rather to make quick and large sales which will bring him in immediate returns, than to establish the reputation of the house by more conservative and slower methods of sale that are often better in the long run. He loses his sense of a regular connection with the house.

The difficulty with the straight salary method appears to be that it fails to enlist the salesman's initiative and real enthusiasm, while the difficulty with the straight commission is that it fails to enlist his sense of routine of a regular connection with the house.

Danger of Commission System.—The danger of the commission, whether it forms the whole compensation of the salesman or only a part of it, is that it increases individual effort at the expense of the organization. No man ever exhausts the possibilities of one line, and the commission system prompts the salesman to take on side lines. If these side lines come to pay him more than the main line, he pushes them at the expense of the latter. The system undermines his concentrated energy. He tends to become rather the competitor than the employee of his house. He has the use of all the employee's experience about possible buyers, and is able to turn it to his own private uses. He can be the most dangerous of competitors: he has many of the house's inside secrets.

The salesman whose interest is in any way divorced from the house he represents is dangerous, also, to its credit department, for even when he knows a customer's credit is shaky he will sell recklessly in order to reap his commission at any hazard. He will make all kinds of private agreements with customers in order to increase his sales. As a result of this he becomes an unhealthful competitor of his fellow salesmen, and creates all kinds of rivalries and jealousies in the selling force; whereas, on the other hand, the salary system promotes team work.

3. Salary and Commission Combined.—The solution of the problem seems to be a combination of the two methods; to pay the salesman partly in salary, partly in commission. For instance, he may receive, as salary, enough to cover living expenses. Then the salesman does not have the feeling that he must sell at any price in order to make enough to live on. At the same time, he is constantly spurred on to make more; for everything except the necessities of life now depends on his initiative and interest. Moreover, as he receives a commission on all he sells beyond a specified amount, this commission will be a more immediate compensation than that for any work he could do for himself. It will be a fair rate of interest on the value of his whole time, and he will have every incentive to devote himself heart and soul to the interests of the house. Besides feeling a solid connection with it, he will hope to make the connection more solid, and will cast in his lot and his ambition with his employers.

It seems as if, on the whole, the compensation of the salesman should for safety's sake have its basis to some extent in the salary idea. But it is well, for stimulus, to have some part of the compensation in a more flexible form which will correspond with increased effort and greater results. While the system of raising salaries is excellent and can be employed in any case, it comes necessarily at more or less wide intervals, and does not appear to respond to special efforts at any given time.

If the salesman puts in extra time and works to good purpose one week, he will naturally be encouraged and prompted to further effort if he sees the results before he has forgotten how he accomplished them. If he draws an extra amount of pay, which bears an exact ratio to the extra work he has done, he will be inclined to repeat the experience.

The Bonus.—Besides the commission idea may be mentioned the bonus idea. The bonus may be a percentage of the salary, or again the salesman may be asked to do, for a time, what is expected of a higher-priced man, and, if he does it effectively, be given the salary of the higher-priced man as a temporary bonus. In this way a salesman may be tested and trained to do the better work which will insure him the better regular income.

6. LEGAL POINTS FOR SALESMEN

The law of sales is full of pitfalls for the unwary, and both buyer and seller should have a care, before entering into any contract of sale, to see that they clearly understand in detail to what they are committing themselves. Since the subject is a wide one, we can not attempt to give any but the most important and useful points in this law.

What Constitutes a Sale.—A sale must consist of:

1. A definite offer to transfer the title and possession of a specified article, upon certain conditions, for a price in money.
2. Acceptance of the offer.
3. Delivery of the article.
4. Acceptance of the article.
5. Payment of the price, by paying a sum of money.

A price is essential to the contract of sale, and if there be none it is either no contract or, if the consideration be other property, it is an exchange.

Sale should be distinguished from four things:

1. *Bailment*, which is a transfer of the possession only,

the title or property remaining continuously in the original owners—as a transfer of possession with the understanding that the identical article is to be returned whether in the same or an altered form.

2. *Bailment with Right of Purchase*, where the goods are delivered to some one under a contract giving him the option of (a) Keeping the goods and paying their value, or (b) Returning them if found unsatisfactory or unsuitable. The person to whom the goods are consigned holds the goods as bailee and not as owner, until the time stipulated for exercising option has expired; or, if no time is specified, until the expiry of a reasonable time. Upon failure to exercise the option the transaction becomes a sale.

The bailee may, however, sell the goods before exercising his option, and such sale is an implied acceptance of the goods sold.

3. *Contract of Sale and Return*, which is a transfer in which the privilege of purchase or return is not dependent on the suitability of the goods sold, but solely on the option of the buyer, to whom title passes subject to his option to return the goods within a given time or within a reasonable time. Failure to exercise the option makes it a sale.

4. *Consignment*, in which goods are consigned to another to be sold on behalf of the consignor, who is to fix the price and terms of sale. In this case the person selling is an agent of the consignor, and the contract is a bailment. Where the person selling is to pay a fixed price to the consignor, with liberty to sell the goods as he pleases, then the contract is one of sale.

The Offer.—The offer must be definite and complete—that is, there must be no conditions attached to it. If there are conditions, acceptance is not binding.

For instance, catalogues, quotations, or price lists are not a technical offer, as a condition to be arranged is the quantity of goods to be purchased. They may, however, be so worded as to constitute an offer. The sending of a circular marked with the “present price” of goods is a

definite offer to sell at that price, and an order based on that price is an acceptance. But at any time before the sale goes through the seller can withdraw a quoted price appearing in a letter, circular or catalogue, or even given verbally, notwithstanding any statement therein that the offer is open for a certain given time; unless the prospective purchaser has already provided a valuable consideration for an option. In like manner any offer may be revoked by the party making it, before acceptance.

Acceptance of Offer.—An acceptance must be communicated to the person making the offer within a given or reasonable time and before revocation. It must be plain and capable of only one interpretation, corresponding exactly to the terms of the offer. If the offer imposes certain conditions, then the acceptance to be valid must agree to them. If the acceptance imposes a new condition or variation, it constitutes a refusal of the offer, and becomes itself an offer which may be accepted or not at will.

The sale is completed at the moment of posting the letter containing the acceptance, even though such a letter does not reach the buyer. Similarly with a telegram, sale being consummated at the moment of passing over the counter.

Revocation must be manifested by word or act, communicated to the party to whom the offer is made before acceptance. It is also operated by death before acceptance.

A material mistake of fact affecting the very essence of the agreement of sale must be such as is contrary to the mental assent necessary to the formation of the contract. In such a case, then, each party will be assenting to something different, and contract will be at an end. When a buyer, however, supposes that the article bought will answer a certain purpose, but it fails to do so, he can not pretend that he did not assent to the bargain, and the sale will be adhered to. The mistake may arise in various ways. First, it may be one of identity. "A" may enter into a contract of sale, thinking and intending to

contract with "B," when in fact he has been dealing with "C."

Second, a mistake may occur as to the subject matter, as where one party contracts expecting to receive one article and the other party thinks the agreement refers to another.

Third, it may occur as to the existence of the thing contracted for.

There may also be a mistake by one party as to the intention of the other. If the second party knows that the first party is mistaken in this intention, the contract is void.

Fraud.—A fraud is a false representation of fact, made in full knowledge of its falsity or recklessly with belief in its truth, so as to induce the complaining party to act upon it. Fraud breaks the contract; it also is an actionable wrong. Fraud may arise where there is concealment, either active or evasive, of the truth. Any one who conceals a fact which he ought to disclose is guilty of fraud. This important subject will be found treated elsewhere under its own head.

Consideration of Price.—A money consideration is essential to a sale. If the purchase price be inadequate, the mere fact will not set aside a contract of sale, unless it is so apparently gross as to point to fraud or imposition. The price must be fixed or ascertainable without further negotiation. If an article is sold and delivered to a purchaser for a reasonable price to be afterward determined, then the contract of sale can not be revoked even though the parties can come to no agreement as to what constitutes a reasonable price.

Subject of Sale.—The owner, or his employees, or agents, are alone competent to make a valid sale, except of negotiable securities.

The rule of *caveat emptor* ("Let the buyer beware") prevails, save in the above exception, and the real owner may recover his property from any third person who

has purchased it from one who pretended to be, but was not the real owner.

There must be something to sell, so that, if the subject of sale is destroyed or has ceased to exist at the time of sale, there is no contract and no price need be paid; and, if the price has been paid, then it can be recovered.

The property sold need not have an actual physical or corporeal existence. For instance, the subject of sale may be a trade-mark, a mining privilege, a seat in a stock exchange, a license to sell patented articles, knowledge of the existence and site of an oil well, etc.

Delivery of Goods.—Delivery is completed by placing the goods at the disposal of the buyer so that they may be removed by him. In most cases there is no obligation to send or convey the goods to the buyer. For instance, it may be effected by transferring the warehouse receipt, or a bill of sale, or a bill of lading.

Delivery is not required to transfer title, unless express stipulation is made in the contract, except where non-delivery may mislead third persons. As soon as the sale of specific goods is completed, the contract becomes absolute, before payment and delivery; and the buyer is thereafter responsible for the property and risk of accident to it.

Should the seller be prevented from delivering the goods by an act of God—that is, some unforeseen happening beyond the power of man—payment must still be made.

For an executory agreement, in which sale is not made, but only a promise to sell, the buyer does not become owner of the goods until after delivery and acceptance. Consequently, he is not responsible for loss, he can not claim them, and can only raise an action for damages as compensation for breach of contract.

The place of delivery may be fixed by contract, but, in the absence of agreement or custom of trade, the goods are held to be delivered or placed at the disposal of the buyer at the place they are in when sold.

Where the buyer has to determine the plan of delivery,

he must do so within the stipulated or reasonable time, by giving notice of time and place.

Delivery of goods before the specified time need not be accepted. Delay in delivery may be passed over by acceptance, but the buyer does not by so doing lose the right to recover damages for delay. Delivery of goods by the seller, if no time is stipulated, must be made within a reasonable time. The use of the words "forthwith," "immediately," "as soon as possible" imply that the delivery must be made more speedily than if "within a reasonable time" were used.

The exact quantity of the specified goods must be delivered, neither more nor less than that ordered. The seller must not deliver anything different from what he has sold, and the buyer need not accept anything different from what he has bought.

Manner of delivery must be according to contract or usage. If by instalments, the failure of the seller to deliver and the buyer to accept one instalment entitles the party performing to rescind the contract and sue for damages the party failing. If the contract is made up of several independent agreements, failure to perform one of them does not affect the others.

Acceptance of Goods.—Acceptance is usually determined by the circumstances of the case. It need not be made in writing or verbally, but can be inferred from the attitude of the buyer after delivery. An acceptance may thus be constituted by delay in rejecting goods not satisfactory; the rejection having to be made within a reasonable time, if no period is stipulated; usage and custom of trade governing the interpretation of "reasonable." The buyer to reject must give notice of objection, stating that the goods are held at the seller's risk.

He must then keep the goods or notify the seller of his refusal to accept.

Anything done by the buyer, as if he were owner of the goods, constitutes an acceptance. Sale of goods by the buyer proves acceptance.

In one case a buyer retained goods for two months

without giving notice of rejection. He sold a part of them, and it was held that he had accepted the whole.

The effect of acceptance is to render the buyer liable for the price agreed upon, and to preclude allegations that the goods are not of the required quality or quantity. He may still allege, however, that acceptance was procured by fraud or mistake.

Non-acceptance.—The buyer may refuse to accept goods if they are not of the designated quality or quantity, or delivery is not made at the proper time or place, and is not liable for the price or damages for non-acceptance. He may afterward refuse them, if a defect, not apparent at the time of acceptance, appears in the goods so as to render them unsalable.

Payment of the Price.—After delivery and acceptance of the goods, it is the part of the buyer to pay the price in the manner agreed upon.

Where no provisions have been made as to payment or delivery, payments should be made upon delivery. Unless there is provision to the contrary, payment should be made in money.

Where the sale is on credit, the buyer can have immediate possession, but the seller can not claim payment until expiry of the time of credit. Where payment is on demand, the buyer must be allowed a reasonable time to procure the money.

The buyer is discharged of liability, if payment is made as directed by the seller. If he can not do so, then the risk of remittance is his. If direction is given by the seller "to remit"—impliedly by mail—the money while in transit is at the risk of the buyer.

A receipt is a *prima facie* evidence of payment. Entries in the seller's account books showing payment of debt are also *prima facie* evidence of payment in favor of the buyer.

Debts are presumed to have been paid after the expiration of a period of years, if no request for payment has been made. The law as regards outlawed debts varies

widely in different States and would best be consulted in specific instances. Thus New York (Code Civil Pro. 376) provides a statutory presumption of payment in case of judgments after twenty years, while by the Texas statute (1895, Art. 3356) a limitation of four years is fixed for actions upon "mutual and current accounts concerning the trade of merchandise between merchant and merchant."

Action for Price.—When the contract is executed and title has been passed to the buyer, even though goods have not been delivered, the seller can sue to recover the goods or damages if payment is refused. Where both have passed, the suit is for the contract price.

Where the sale was on credit, the seller can not sue the buyer until the expiry of the period of credit, unless credit was obtained by fraud. If the credit was granted on the understanding that a note or other security should be given by the buyer, payable at some future date, then failure to furnish such note or security entitles the seller to sue at once.

In instalment payments failure to pay any instalment entitles the seller to treat the contract as broken, recover the price for goods already delivered, and sue for damages for breach.

Insolvency signifies the general inability of the buyer to pay his debts in the usual course of his business.

Stoppage in Transitu.—There is another class of remedy by which the seller may obtain the purchase price, if title has passed to the buyer but not possession of the goods. The actual custody of the goods may yet be in the seller, or the goods may be in transitu—that is on the way of delivery, in the possession of the railroad or express company. When the goods are still in custody of the seller he may hold them for the purchase price; and when in transitu he may intercept them, if it is possible, and prevent their reaching the buyer.

This right is called the Stoppage in Transitu. It exists only when the buyer becomes insolvent after the sales, or was secretly one before.

Transit begins from the moment of transferring the custody of the goods to the carrier, and extends up to the actual handing them over to the buyer or his agent.

The usual way of exercising this right of stoppage is by a telegram or letter forbidding the delivery of the goods, or notifying the carriers to hold them subject to the seller's order. If the buyer has a suspicion that the right of stoppage will be exercised, and secures the goods from the carriers beforehand, the seller can not stop him.

The goods are still in transitu, when with an express company for local delivery. The right of stoppage in transitu extends not only to the seller, but to an agent, who, acting on his principal's order, has bought goods and paid for them with his own money.

A third person who has advanced the money for the purchase, taking an assignment of the bill of lading, can also exercise the right.

If the seller stops the goods when the buyer is not insolvent, he does so at his own peril, and is liable for damages. The right of stoppage is defeated if the bill of lading is in the hands of the buyer, and he transfers it to a third person who pays value for it in good faith. To prevent this a notice should be endorsed on it that title in the goods covered by it remain in the seller until payment is received.

If the carrier disregards the notice, the seller has a cause of action against him. He may refuse, however, to redeliver the goods to the seller until freight has been paid. He is liable to the buyer or his assignee if he refuses to deliver when the right of stoppage does not exist or has not been properly exercised, or if he delivers the goods to some one who does not possess the right of stoppage.

The effect of stoppage is not to rescind the sale, but to place the parties in somewhat the same position as if the seller had not parted with the possession of the goods. The buyer may redeem the goods by paying the price at any time before they have been applied to the seller's claim; and the seller should hold them until such a price becomes due. After that the seller may after reasonable

notice sell the goods and apply the proceeds to the price. If there is anything over, it belongs to the buyer. If payment has been partly made before stoppage in transitu, the buyer can not recover such payment, the payment being applied to cutting down the seller's claim to that extent.

If the buyer without cause refuses to accept and pay for the goods ordered but not delivered within a reasonable time, the seller can resell the goods. If they bring less than the former price, he can recover the difference from the former buyer.

Warranty.—In a sale of goods a usual accompaniment, though not essential, is a warranty or statement made by the seller as to the character or quality of the goods sold.

The warranty is (a) *express* when created by the explicit statement of the seller; or (b) *implied* when it is inferred from the nature of the transaction or the circumstances of the parties.

A warranty is not a promise of indemnity to the buyer against loss on reselling the goods. It is not valid unless a consideration is passing from buyer to seller.

No particular form of words is necessary to create a warranty. Any distinct assertion as to the quality or character of the thing to be sold, made by the seller, which it may be supposed was intended to induce the sale and was really relied on by the buyer, is a warranty.

A statement of opinion or belief is not a warranty. Salesmen's or dealers' talk extolling their goods is more an invitation to purchase than a warranty.

Statements or descriptions contained in written or printed invoices are not presumed to be warranties. If the seller knows the buyer relied on these statements in purchasing, there is a warranty, if the buyer claims one.

Breach of Warranty Regarding Quality.—Any substantial failure in the goods bought to come up to the standard fixed by the warranty constitutes a breach of warranty. The defect must, however, have been present at the time of giving the warranty or have resulted naturally from some actual or potential defect present.

An exception is where a vehicle or machine is warranted for a specified time. Where the goods are sold not only by sample but by description as well, with a warranty that they are up to the standard of both, there is a breach of warranty if they fail to meet the description. It has been held too that goods under a sale by description must also be salable under that description.

The buyer has these remedies for breach of warranty:

1. If the title has passed to him, he may recover damages for the breach.
2. If the seller sues for the purchase money, he may set off such damages.
3. If the title has not passed, or if the warranty was fraudulently made, he may rescind the contract, refuse to accept the goods, and sue for damages. If the goods have been received, he may return them or notify the seller that he holds them to his order.

The buyer must establish a warranty, and that a breach of it has occurred. If the warranty is that a machine will work well, he must show in what point it failed to do the work. If the warranty is on condition that he take certain precautions, he must show that he observed them.

He must prove the fact of damage as well as all the other facts necessary in estimating the amount of damages.

In a sale by sample the seller must prove that the goods correspond with the sample, if the buyer should refuse to accept the goods on the ground that they did not so correspond.

Carriage and Shipping.—When goods are to be delivered “F. O. B.” (free on board car or ship) the seller bears the expense of placing the goods on the car or vessel which is to carry them. These letters must be followed by the name of a given place in order to have any significance. For example, an automobile shipped “F. O. B. Detroit” to a man in New York would be sent at the buyer’s expense, whereas the same machine sent “F. O. B. New York” would be at the seller’s expense.

Railroad, shipping, express companies, and all other common carriers, are bound to carry any or all kinds of

freight, except in certain stipulated exceptions; payment must be made, however, and the carrier may retain the goods until all the freight or other charges have been paid.

The carrier gives the sender of the goods a receipt for the articles delivered. This is termed a freight receipt, way-bill or bill of lading. The liability of the carrier commences as soon as as he receives the goods. He is liable for all loss and injury unless arising from:

1. The act of God, such as a snow-storm or flood.
2. The act of the shipper, such as carelessness in packing or insufficiency of address.
3. The nature of the goods, such as decay of fruit or other perishable commodities, or live stock perishing by their own acts, such as goring or trampling each other.
4. Public authority, such as seizure of the goods by a process of law.

He must deliver to the right party. If he delivers to the wrong party, no matter how cautiously and innocently, he is liable. Where the carrier is instructed not to deliver goods until paid for, or where they are distinctly marked to show that payment must be made before delivery, he must follow instructions.

Where the goods are shipped "C. O. D." (collect on delivery) the carrier allows the buyer a reasonable opportunity to inspect them, collects the whole amount due and remits to the seller.

The carrier may be instructed, during transit of the goods, to deliver at an intermediate point without any change in the contract of shipment.

VI COMPETITION

Popular Fear of Competition—Cheap-priced Imitations—Competition—So Much Business Lost?—Competition in Price—Cutting the Price on Standard Goods—Price Maintenance—Quality vs. Price—Economics of Competition—Secrecy and the Business Detective—A Common Meeting Ground for Competitors—Trade Associations—Their Value to Local Trade.

VI COMPETITION

COMPETITION, as it is commonly understood in the mercantile sense, implies the offer for sale of the same commodity, produced by manufacturers independent of each other, to the same buyer. Each seller naturally endeavors to get the highest price for his wares, to allow him a profit above the cost of production; but he may sell them below cost price rather than let them remain unsold, or yield the market to his competitor, or allow his factory to stand idle. This strife of the individual or group of individuals to gain the utmost possible profit in free rivalry with individuals or groups of individuals is now generally held to be the supreme law of trade. As such it is commended by believers in present industrial methods and denounced by socialist reformers. Most political economists and the majority of thinking minds see evils in unlimited competition, and would, without supplanting it by another principle, yet modify its operation. Competition, as we propose to write of it, will not touch upon competition in labor, but will confine itself to competition between trade rivals merely as bearing upon the general question of selling.

Popular Fear of Competition.—To some merchants competition appears as the Damoclean sword hanging over the head of their trade. Business men can scarcely transact what business they have under fear of it. Boards of Directors meet in solemn conclave and discuss a thousand and one methods of averting it. Sales managers spend a good part of their time, when they should

be doing something else, in lamenting rivalry and in evolving wonderful schemes of cutting out rivals. It is an ever-present ghost of Banquo appearing at the feast when the profits are declared. "Ah yes—the profits are splendid this year, but what about next? Competition is growing keener, you know. We'd better get busy, or the other fellow," etc., says the president.

"Sales are going down. Never saw such a coming slump in business during all the time I've been in it," says a director; "some imitator of our goods is getting all the market. I don't know what's coming to trade, and what's more, unless competition gets less fierce in our southern territory, I don't see how we can keep it up."

This bogey, which confronts every manufacturer, when really faced boldly and put to flight, is usually found to be hollow and without substance. Yet it continues to frighten the small merchant and the large manufacturer. The man who builds up an enormous business from very small beginnings, devoting his whole energies and capital to its consolidation, is as much a prey to it as the small retailer who fears his neighbor round the corner. Competition knocks at their factory gate till they imagine that every weak imitation of it is the real thing.

Cheap-priced Imitations.—A house is apt to feel aggrieved if its articles are copied in poorer materials, and sold at a price below its own. For instance, a firm manufacturing a vacuum cleaner was annoyed and worried by the fact that several firms had made, and were selling at a cheaper price, an article modeled on theirs. Finally it was pointed out to them that their own article reached a certain class who were willing to pay for its reputation for reliability, and that their factory was working overtime to supply the demand; also that their imitators were reaching a different class, which they themselves were not attempting to reach, and that, instead of hurting them, this rivalry was not competition, but the best kind of advertising, and was really doing them a good turn.

The typewriter manufacturer who sells his machine at \$100 usually makes no attempt to reach the person wanting a machine at \$30 or so. Their spheres do not clash, yet the influence of the one induces sales in the other. The owner of the lower-priced machine is never content until he gets the higher-priced one, which he would never have attempted had there been no intermediate stage. The business man must never forget that there are different grades of demand for a commodity, and that the whole volume of demand derives its stimulation from the number of concerns in the same field. The extension of the trade is such that a larger public is reached, and consequently educated to the value of the commodity.

Competition—So Much Business Lost?—To say that competition means so much business lost is to mistake the case. This is not to say, however, that it is so much business gained. It is safest to say that there is no rule in the case. Business may be hurt by the inroads of a rival, such as a "cut-price" drug-store. On the other hand, it may be improved. A "five-and-ten-cent store" opened one of its branch establishments in a block in Newark, N. J., and met with a good trade. Two rival concerns were attracted by its success and also opened up stores in the same block, selling the same class of goods at the same price. What happened? The first store's business increased steadily. The two newcomers did well, and every one was pleased. It was quite plain that in this case the current of trade was swung around to this block, and that competition was a decided benefit to the established house.

Competition in Price.—To the majority of business men, competition centers round the word "price," and that is the watchword of the struggle. To undersell rivals, or to meet the prices they are getting, is the first aim of their business. In their keen rivalry they sometimes forget that it is *profit* they want, not the pleasure of cutting out the rival house. The man with superior ability may sell at the same price as his competitors, but

he buys cheaper and sells in larger quantities. This is the man who recognizes that the highest paid labor comes cheapest in the long run, and that it is a crime against his own success to stint machinery for the factory and advertising for the office. Competition in price may appeal directly to the pocket of the customer, but it is oftener a ruse to draw off attention from the quality of the goods; it is the downward path to that region where profit stops, and to start upon it is more often than not to lose all control.

Cutting the Price on Standard Goods.—It is not always low prices that best serve the needs of the public. Most people like to know that they are buying goods of a certain and definite quality, and are willing to pay fair prices for the assurance of excellence. Manufacturers who have gained the confidence of the public by putting out trade-marked articles, in which the standard as to quality is constantly maintained and guaranteed, feel that they have a right to fix a fair re-sale price for their goods, thus making certain that reasonable profits and regular sales will enable them to continue the standard quality of their products. This is not monopoly, for it does not hinder the production and sale of other goods of the same kind at whatever prices and of whatever grades their competitors wish, and the public demands. Yet it has become a custom with many large retail stores to advertise sales of "standard goods at cut prices." Consumers, who know that the retailer's prices on those particular wares are lower than the regular market prices, are glad to buy, and, in addition, buy other goods that are not lowered but may be actually raised in price. No loss accrues to the retailer, who makes up for the cut on standard goods by his sales of others. Small dealers are sometimes compelled to drop desirable standard lines from stock, since they can not compete with the large stores in cutting prices. The manufacturer finds his market ruined, and is confronted with the necessity of lowering the quality of his product or of doing business without fair profit. When a manufacturing business,

built up by reliable service and years of square dealing, is harrassed in this way, it is the public that suffers eventually through the withdrawal of the guaranteed goods from many markets.

Price Maintenance.—No one believes in monopoly, that is, that any man or group of men should control the output and fix the prices on flour, shoes, books, cotton cloth, or any other kind of goods. But there is constant demand for articles of standard quality, where the buyer is sure of what he is getting and what is the fair price he ought to pay for it. The consumer buys such articles because he prefers them at their regular price to other articles whose grade and market price are not so sure.

Richard Washburn Child, in an article in "Collier's Weekly" says: "The price cutter, instead of being a consumer's benefactor, disturbs the ideal trade situation in which the consumer 'knows what he is getting,' and pays for what he wants a price *which he is willing to pay*. If the consumer buys an advertised standardized brand which competes with a field of like products, it is because he is convinced that he wants that specific article, carrying a trade-mark or maker's name as a guarantee of good-faith quality. If the advertising is honest, no one can better represent the consumer's point of view than the consumer himself. This he evidences by paying the particular price for the particular thing; if he is not satisfied with the thing, he will not pay it. Other articles of the same kind are offered to him at other prices.

"The consumer wants more than anything else a continuance of the American manufacturer's practise of attaching a name or brand to products as a real token of good faith. He wants branded products kept up to a standard so that he may know what he is buying when he buys in a competitive market. He does not want to penalize the manufacturer who meets these wishes by allowing the big department store, the mail-order house, or the chain of stores to cut an honest trade to pieces by the piracy of 'cut-price' sales of well-known makers' products, and he does not want large retailers to use the

price-knife weapon to kill off small retailers. Just now the consumers' point of view and the law's point of view are not in accord."

In cases before the Supreme Court of the United States, it has been decided that the maker of a patented or a trade-marked article can not fix the re-sale price. On the other hand, a decision given by the Supreme Court of the State of Washington is in accord with what seems to be the interest of sound methods. Mr. Child quotes from the court:

"The true competition is between rival articles, a competition in excellence, which can never be maintained if, through the perfidy of the retailer who cuts prices for his own ulterior purposes, the manufacturer is forced to compete in prices with goods of his own production, while the retailer recoups his losses on the cut price by the sale of other articles at, or above, their reasonable price. It is a fallacy to assume that the price-cutter pockets the loss. The manufacturer alone is injured, except as the public is also injured through the manufacturer's inability, in the face of cut prices, to maintain the excellence of his product. Fixing the price on all brands of high-grade flour is a very different thing from fixing the price on one brand of high-grade flour. The one means destruction of all competition, and of all incentive to increased excellence. The other means heightened competition and intensified incentive to increased excellence. It will not do to say that the manufacturer has not interests to protect by contract in the goods after he has sold them. They are personally identified and morally guaranteed by his mark and his advertisement."

Quality vs. Price.—The business rival who centers all his efforts upon price rather than quality has the chances strongly against him, and in favor of his competitor. Two retail groceries in a small Eastern city are striking illustrations of the right way and the wrong way in retail business. Both were established about ten years ago by young men who had the same experience as grocery clerks, and who were on an even footing in capital, credit,

and opportunities. Their town seemed to be well served already by grocers when they started, so the question of competition immediately came up for consideration. They settled it by fighting each other and older merchants, but along entirely different lines, and to better advantage.

One of them reasoned that, as this was a railroad factory center with a large proportion of wage-earners who were presumably keen in keeping down the cost of living, he could succeed best on a platform of bargain prices. So he cut the butter and eggs to the bare net, offered specials in coffee and prunes for Saturday only, and tried to see how many pounds of sugar he could give for a dollar on the familiar plan of only one lot to a customer. Every bargain quoted by a rival was promptly met with a lower one. Every drummer who came along with a cheap "job" in goods a bit off-color got an order, as did all the salesmen with specialties put together in a shoddy way to retail below everything else of their kind, with a souvenir plate thrown in.

His rival, however, reasoned that railroad men and wage-earners generally like good living. So his competitive platform was built upon quality instead of bargains. If there were four or five different grades in a given variety of goods, he stocked most heavily on the second best, bought a little of the very highest grade for customers who wanted something still better, about as much of the third grade for those who would not pay for the second grade, and made it a rule to carry none of the cheaper grades at all. Prize packages and "jobs" were barred, too, and the only specialties he could be interested in were things of exceptional quality, which had never been offered people in that town, because merchants assumed they were suited only to fine trade in big cities. If people wanted the biggest bag of sugar obtainable for a dollar, he let them buy it of competitors, while every item in his stock was priced to allow a reasonable but definite margin of profit.

After ten years' business side by side, starting with the same capital, these two stores show a remarkable

contrast, even in outward appearances. The bargain grocer's windows are plastered with sensational signs, lettered on wrapping-paper with a marking brush. All the space the police will allow on the sidewalk is piled with miscellaneous wares at sacrifice prices. Inside, the store is unkempt, goods being of the cheapest grades and much of the stock being worthless, bought because it was cheap and only partly unloaded. His store space has not grown, and during ten years he has found it hard to make a living and meet his bills. Talk with him and he will make it clear that department stores and mail-order houses are ruining business everywhere. His rival's establishment, meanwhile, has grown into premises on either side, and looks big, clean, and prosperous. All the quiet, discriminating family trade centers there. The woman planning a fine dinner sends this grocer her order by telephone, and there is a definite prestige in having one of his wagons drive up to the door. No signs deface the windows, and no bargain baskets clutter the sidewalk. Perhaps one-fourth of his business turns on delicacies that ten years ago were considered too aristocratic for the town, and some of which he imports himself; and his profits on this trade alone would put the bargain grocer in easy circumstances. The high-class grocer has long ago advanced to a level where competitors do not follow, lives in a handsome residence, is a bank director, and stockholder in local enterprises, and has a solid business to hand over to his family.

Economics of Competition.—A writer on economics recently summed up the difference between price and quality as follows:

"Competition in price makes a direct appeal to the customer's pocket, but diverts attention from the goods. Its tendency is always downward toward the bed-rock of cost beyond which there is no going.

"Competition in quality, on the contrary, is an appeal to the taste and intelligence of customers based on the goods and their merits. Many merchants and manufacturers hesitate to trust public taste, in the belief that

the average consumer does not appreciate fine points of quality. But those who do rely upon it seldom go wrong, and the whole trend of quality competition is upward.

"There is never very much room in which to make or sell things more cheaply. But there is always the world of room in which to make or sell them better."

Secrecy and the Business Detective.—Another phase of the problem of competition relates to the keeping of one's own counsel in trade affairs. A false idea still exists to-day as to the secrecy of business plans. The old-school manufacturer exhibits great secretiveness as to his affairs, congratulating himself on the fact of knowing his competitor's moves, while his own are hidden. As a matter of fact, it can be assumed generally that competitors know all that it is vital to know about each other, and consequently there is no urgent need of secrecy.

Many houses employ confidential agents whose duty it is to ferret out the plans of rivals, or to discover how such steps may be taken in their own business as to stop leakage of secrets, wastage of material, etc., in order to cope with competition. The business investigator has many such interesting cases to investigate. Trade spies may be found in factories, dressed in overalls and acting like the ordinary workman, or employed in the office.

There is nothing like the fear of competition to stir the manufacturer to make use of the business detective in "stopping leaks." For instance, a manufacturer who had for a long time had his field practically to himself, recently found that a competitive article was about to be put on the market which would probably give him considerable trouble. He was far-sighted enough to appreciate that now was the psychological moment for him to go over his producing system and prepare himself to meet the coming competition, by stopping leaks. He accordingly employed a detective who, having been engaged in a somewhat similar occupation, knew about his line of business. The detective had been there only a few days when he discovered a way in which two of the day force and three of the night force could be dispensed

with, and \$150 a week saved in this and other ways without diminishing the factory's efficiency in any way.

Even the retailers do not hesitate to employ the confidential agent. Many of the department stores employ men and women who make it their sole business to visit the stores of competitors, pricing goods, noting new lines carried, dress designs, novel ideas in arrangement, etc., which they report to their employers.

A Common Meeting Ground for Competitors.—In many lines of business, however, notably in manufacturing lines, the old methods of secrecy are giving way to a broad spirit of cooperation. Competitors are no longer nursing their secrets within the walls of their carefully guarded factories, but are in some cases forming associations for their mutual advantage. By standardization of materials and other mutual aids, mechanical industries may be vastly increased. Automobile makers endeavor to meet each other on this ground, and the American trade is in this way making rapid progress, as their prices are considerably lowered. They have made far greater strides than the English manufacturers, in the same length of time, simply because they have pulled together for standardization.

Trade Associations.—Mr. J. H. Collins, in the "Saturday Evening Post," has this to say regarding the value of trade associations:

"With many concerns depending upon ideas, secrecy is more or less an asset. For many years the novelty men, like manufacturers in many other lines, kept their business projects to themselves, and met other houses only in competition. Therefore, when a far-seeing manufacturer suggested, several years ago, that the makers of advertising novelties form a national association for mutual advantage, the proposal was received with considerable hostility. The attitude of one successful novelty manufacturer was typical.

"From the beginning he had made a point not merely of keeping his business under his own hat, but also of

saying that he didn't want to know any of his competitors personally. From time to time he found it expedient to help himself to their best ideas. Probably some of them were very decent fellows. If he knew them, he might hesitate to take what he found lying around loose, and that would hamper him in the development of his business.

"Join an association of my competitors?" he protested. "Not on your life! Why, that is just a scheme to get me to tell my secrets."

"Months of discussion went on before this project had advanced far enough to call a preliminary meeting. But there was an encouraging attendance of the leading men in the industry, because each of them thought there might be a chance to pick up something useful from the others while keeping his own business strictly to himself. This particular manufacturer attended in that spirit, he says. When he sat down among competitors whom he had been fighting for fifteen years, however, he found them unlike the mental pictures he had drawn. One of his most aggressive trade rivals, who had taken away business again and again, proved to be a big bashful man who blushed and broke down when called upon to stand up and express his views. The first conference was dominated by a bullet-headed little manufacturer who had never been looked upon as anybody in the trade. Not a great deal of set speaking was done at this meeting, but everybody there got acquainted with one another by twos and threes in corners. Instead of maneuvering for confidential information, however, each found that all were discussing broad trade questions, such as the standardization of materials, holding sellers to specifications, regulations of abuses and dishonesty that cast discredit on the industry, and so forth. Within a few weeks the association was formally organized and committees appointed to take up such matters. Before it had been in existence long the tariff revision began at Washington, and because these manufacturers had an organization and a common fund, they were able to send representatives before Congress with information that prevented a

prohibitive duty on some of their raw materials. To-day this association is strong, its members enthusiastic, and the manufacturer who made it a policy never to get acquainted with competitors is one of its active officers. This association is typical of a kind of business organization that is becoming common in the United States.

"The trade guilds of the Middle Ages were formed to monopolize business, in the belief that there was only so much demand anyway, and that it should be regulated and individual enterprise stifled.

"But the present-day trade guild, organized like these novelty manufacturers, leaves members free to exert individual enterprise, recognizing that this is the energy which makes the whole industry go ahead, increasing demand for goods and raising the tone of demand. No special favor would be shown a member in open competition for business, nor any restrictions put upon him. Yet, through such an association all the people interested in an industry are brought together, learn that competitors have neither horns nor hoofs, and carry on broad trade measures which make conditions in the market better for everybody."

Their Value to Local Trade.—These trade associations have also proved of the greatest value to local trade, both in its protection from big outside jobbers, and as a means of eliminating shyster methods from within. The same writer continues:

"The wholesale houses in an interior jobbing center, for example, have long been active competitors for the trade of retail merchants through three States. In recent years, however, the big jobbing centers, Chicago and St. Louis, have been reaching out for the smaller center's customers. To meet this rivalry, the hundred-odd houses in the lesser center have organized a commercial association to promote the town's mercantile resources as a whole. Formerly, each house looked entirely to its own interests, and if its salesmen could persuade country merchants that it was the only responsible jobbing concern in that town it was regarded as good

business. But now the salesmen take a little time to set forth the facilities of the town in every line. Literature showing these facilities is sent to merchants, and attention is paid to freight rates, and special passenger fares at the buying seasons. If a town is weak in certain lines of merchandise, steps are taken to build it up, so that representatives' assortments can be seen by the visiting merchants, and the need for going farther away overcome. Salesmen compete as freely in making sales, and no restrictions are put upon the individual houses in selling to customers who come to the market. But the association has greatly increased the annual jobbing turnover of the town, and the cost of the work is so slight that a mutual arrangement for exchanging credit information covers it.

"In retail business, too, these good-of-the-trade associations are now abolishing what was long regarded as 'inherent trade evils' and rapidly bettering conditions for merchants who do business on moderate capital.

"The retail jewelry trade is representative of the new order. The retail jeweler is likely to be an expert watchmaker first, and a merchant afterward. A customer brings him grandfather's old watch to be repaired again and again, and he fixes it up, taking pride in his skill as a mechanic, and perhaps never trying to sell that customer a new timepiece of modern design. If the customer wanted a new watch he might go about town among the different jewelers getting prices, putting one against another, and finally buying his timepiece at near wholesale cost from one jeweler who wouldn't let his competitors sell lower than himself on principle. As he feared those competitors, and kept away from them, it was not impossible to lead him cleverly to cut under a purely fictitious price. Furthermore, tricky cut-price operators, getting a stock of goods by questionable methods, selling below living prices, and turning their profits by going into bankruptcy, demoralized prices. Many a retail jeweler broke his heart trying to meet figures set by those sharpers and still pay his bills.

"But within the past three years there have been

marked changes. Instead of holding aloof, the legitimate jewelers have come together in city, State, and national organizations. When they meet competitors face to face, they find them hard working, conscientious fellows like themselves. The whole trade has been started up hill. The retailer's cost of doing business is being studied, and goods are priced systematically to yield a fair profit. When the association jeweler has marked his price on a watch or a brooch, he sticks to it. No agreement as to prices is made with competitors. He is at liberty to undersell them if he can do so without loss. But by agreeing to stick to his marked prices, the chances of beating him down by pitting his competitors against him are eliminated."

VII

CORRESPONDENCE

1. INCOMING MAIL

Opening and Distributing Letters—Separate Letters for Different Subjects—Letters for Attention of Several Officials—Personal Letters.

2. LETTER WRITING

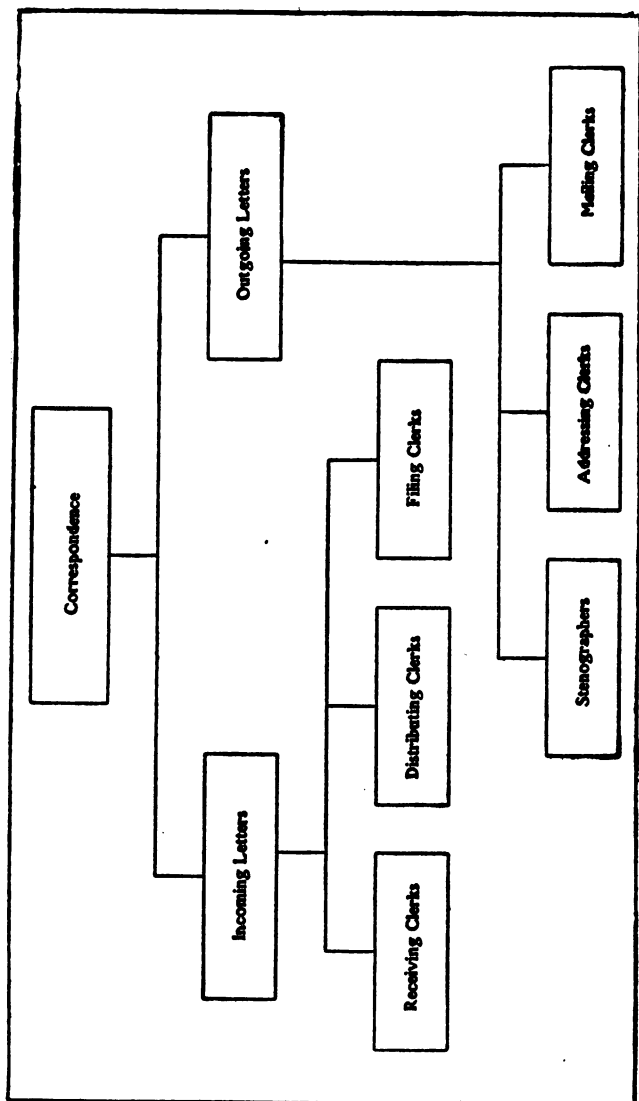
The Stenographic Force—Phonographic Dictation—Care of Typewriters—The Outer Form of a Letter—Stationery—Letter-heads—Printed Matter—Envelopes—Folding and Inserting Letters—Importance of the Address—Typewritten Letters—Arrangement of the Letter—Beginning All Parts at the Margin—The Letter Itself—Routine Letters—The Paragraph Book—Complaints, How Treated—Collection Letters—Sales Letters—Follow-ups—Form Letters—Telegrams and Cablegrams—Confirming Telephone and Telegraph Messages—Remittances by Mail.

3. OUTGOING MAIL

Verifying Enclosures—Collecting, Stamping, and Mailing—Checking Postage.

4. FILING SYSTEMS

The Alphabetic File—The Geographic File—Filing by Subjects—The Numerical File—Combination Methods—The Card Index—Tickler Files—Transferring Files—Importance of Correct Filing—Keeping Useless Letters out of the Files—The File Clerk.



ROUTINE FOR CORRESPONDENCE

VII CORRESPONDENCE

WITH the exception of the unsolicited cash sale, nearly every business transaction is sooner or later a matter for correspondence. Hence the prosperity of any business, big or little, may depend upon the effective management of each day's mail. Promptness, simplicity, and accuracy are essential to the handling of letters, and correspondence departments are organized to facilitate every detail of receiving, opening, distributing, answering, mailing, and filing them. Efficient service should begin with the first mail.

In most houses the executives and important officials have their own private secretaries, who attend to many things besides letter writing, and some firms still prefer to have each department organized separately, with its own force of stenographers and other clerks; but it is a growing modern custom in houses where the volume of outgoing mail is very large to turn the greater part of it over to a correspondence department. The head of this department is responsible to the business manager. He has charge of the clerks who attend to these duties:

1. Receiving and Distributing Incoming Mail and Telegrams.
2. Dictation, Stenography, and Typewriting.
3. Collecting and Mailing Outgoing Letters.
4. Filing.

Incoming and outgoing mail are conveniently handled from a central room or mailing department.

I. INCOMING MAIL

The letter carrier should deliver all mail to this department, taking receipts here for registered and special-delivery letters, and collecting any postage due.

Opening and Distributing Letters.—All incoming mail is carefully sorted according to departments by the head clerk of the mailing room and one of his assistants. Personal letters are separated from those addressed to the company, and delivered unopened. Individual letters addressed also to the firm are delivered to the head of the department in which the person is located. Letters addressed to the company only are handed to one or more clerks to be opened, and if the volume of mail received is very great, this opening may be done by the use of a letter-opening machine that cuts a thin line lengthwise of each envelope, without disturbing the contents. The letters are then passed on to other clerks who remove the contents, carefully pinning all enclosures to the sheets with which they belong. Another clerk applies the receiving stamp to show the date and time of receipt. It is better to stamp mail received on the back to avoid disfiguring the face of the letter. The head clerk notes the department to which each letter belongs, and places the mail of each department or official into a separate division of a basket, portable desk rack or other device for distributing letters. When the mail is all sorted, it is delivered by a boy to the different offices. A convenient way is to carry it in a strong leather bag divided into compartments, each marked with the name of a department.

Separate Letters for Different Subjects.—If a business man, writing on different subjects, would write one letter on each, and address it to the department that handles such matters, it would simplify the distribution of mail very much. Moreover, each letter would go direct to the proper department or person for attention, saving time in delivery, and avoiding the possibility of misplacement or loss. Reference should always be made to the person whose letter is being answered, as "Yours of the 10th instant, Mr. Brown," "Mr. Smith's letter of December 30." A letter addressed merely to the company in general may go the rounds of all the offices for a day or two before it is finally claimed by the person to whom it

belongs. A separate letter for each different subject is also an aid to effective filing, since it is possible to collect all letters pertaining to one matter without removing other data from the files.

The distributing of incoming mail should be in the hands of a thoroughly reliable person, familiar with the names of the people connected with the company, and the matter handled by the various departments.

Letters for Attention of Several Officials.—Many letters are received that require the attention of more than one department or official. The clerk who sorts the mail may indicate this by placing opposite each paragraph the name of the department or the individual to whom that particular item should be referred. Sometimes each important official is designated by initials or by a number, in which case the initials or numbers of all who are to see a letter are entered on the sheet. Each in turn, after noting the matters referred to him, or the information contained in the entire letter, places a check beside his designation and sends the letter on to the next in order. Letters of this kind are usually given immediate attention in each department to which they are sent.

Personal Letters.—Personal letters sent to employees in care of the firm, or business letters which are addressed to the employees individually, should be discouraged. In the first instance, such mail only clogs up the machinery of the office. In the second, important business matters may be delayed if the person addressed is absent.

Many business houses now print above their stationery a request that letters pertaining to the business should always be addressed to the firm. On the other hand, the name of a person or department handling a particular matter should be included, to make sure that the communication is not delayed in delivery. This can be arranged by referring to the proper person or department in the opening of the letter, and by placing the name in the lower left part of the envelope.

2. LETTER WRITING

Letter writing has always been one of the fine arts, but it is only within recent times that any serious attention has been given to the art of business correspondence. In our times personal letter writing is being driven back by the post-card, the telegraph, and the telephone; but letter writing in business is being developed day by day to greater efficiency by the introduction of the personal element.

Business letter writing requires tact, information, and intelligence. Long after a personal interview is forgotten, letters referring to the transaction remain in the files of both parties—a portion of the business history of two houses.

The Stenographic Force.—Officials controlling the most important affairs of the company usually have their own secretaries or stenographers, who perform not merely the mechanical duties of turning out letters from dictation, or redictating them to other stenographers, but many other things as well. They are familiar enough with the special business of their superiors to keep affairs moving if an official is absent, and they keep in mind or on record necessary details as well as those minor matters that a man occupied with big things is liable to forget. Some entire departments, too, may work best when served by stenographers who attend only to certain phases of the business, and become very familiar with everything pertaining to their own particular duties. But the great bulk of the correspondence of a large company may be handled with despatch by a staff of stenographers under the supervision of a chief. It is usual to have such a force in a room separate from the rest of the office.

Calls for stenographer are sent to the chief, who selects one of his staff according to the amount of work he or she has at the moment, and so arranges that stenographers are not confined exclusively to the services of one department.

It is the duty of the chief stenographer to see that the mechanical qualities of the letters sent out are perfect, that care is given to spelling and punctuation, etc., and that the work is done promptly.

Stenographic supplies are also kept up and given out by the chief stenographer.

There are several ways of keeping supervision upon the work of individual stenographers. The chief stenographer, in sending a stenographer to take letters, may give him or her a daily card, which is to be filled in with: (1) Stenographer's name; (2) Dictator's name; (3) Time of taking notes; (4) Time of transcription; (5) Number of letters. A duplicate is kept by the chief stenographer, who files it, and from that source can make up a weekly statement of work done by individuals.

The chief stenographer should guard against making the work of the department purely a matter of mechanical speed and red tape. After all, the work of typing letters is not like that of watching an automatic machine in a factory; and the youngest typist should not be afraid of spoiling her record if she stops to check something requiring verification. The subordinate who can be trusted to do these things is worth more than the one who is able merely to transcribe rapidly and accurately just what the dictator said. This is true even though the chief stenographer is to read all letters after they are written. Every person in the office who sees a letter is a check on its accuracy. It is possible, however, by careful supervision and checking, to train a force of stenographers to a high degree of speed and mechanical accuracy, without discouraging initiative and thinking ability.

Phonographic Dictation.—Many firms use the business phonograph to economize effort and increase the output of the stenographic department. In few cases is stenographic dictation entirely eliminated—the stenographer's notebook and pencil are too easily carried from place to place, and shorthand notes are too flexible and easy of correction and adaptation to circumstances to make it likely that they will be altogether superseded by machines

—but the advantages of the phonograph in the business office are many. The man whose time is limited need not wait for a stenographer to be at liberty—he can dictate at any time, in or out of office hours, with the highest rapidity or as slowly as he wishes. Some people find it easier to dictate without the presence of the stenographer in the office, and believe that their letters are improved by being composed in absolute privacy. Meantime, every typist is at work, and it is evident that the time that would otherwise be spent by stenographers in taking dictation is saved. In most offices shorthand notes are not turned over from one typist to another, and it may happen that the stenographer who has taken a particular piece of dictation has much other work ahead, so that important letters must wait until she gets to them, since no one else can read her notes. Herein the utility of the phonograph is apparent, for after dictation the cylinders can be handed to any typist who is at liberty, and everybody kept busy without interruption until all the work is done.

The most recent dictating machines and office phonographs are planned to admit of corrections, though this method of dictation does not lend itself so readily to changes as shorthand notes. It is particularly important that the phonographic dictator enunciate clearly, and that he round out his sentences so that the stenographer can punctuate intelligently.

Care of Typewriters.—An important detail for the head of a correspondence department to consider is the proper care and inspection of typewriting machines. No typist can turn out accurate work rapidly if the machine she operates is not in good condition. When one considers the expense of typewriters, and the importance of first-class work in everything pertaining to the correspondence of a house, it is surprising to find large offices that do not make proper provision even for cleaning the machines, while inspection and repairs are postponed until a typewriter can not be operated at all. Cloth for dusting, narrow, long-handled brushes to reach all parts of the machine,

oil, benzine or alcohol for cleaning the type—are necessary supplies. It is the duty of each typist to see that the type faces are carefully cleaned, and the dust removed from all parts of the typewriter each day. Occasionally the type need cleaning with benzine or alcohol. It is important to keep in mind that benzine can be used only when there is no possibility of combustion, and that its disagreeable odor makes it necessary to choose also a time when there is least likelihood of annoying other people in the office. A spatter of alcohol is sure to spoil the finish of a desk or table, and it is advisable to protect the desk and the parts of the typewriter by placing folds of paper under the type bars before cleaning. The machines should be oiled when it is necessary, dust and gummed oil being first removed.

The companies that sell typewriters recommend monthly inspection by the men they send out. If this method is too expensive, some experienced employee in the firm may be assigned to give them regular inspection. It is never economical to permit valuable machines to become ineffective for want of care.

The Outer Form of a Letter.—Business organization has this fatal faculty, that it conduces to mechanical adherence to certain well-established rules. The letters of one firm imitate those of another or of all, until correspondence becomes a series of set phrases. Forms become stereotyped, and language either too bald or too prolix. A letter may be more or less vaguely written, on stationery which is an eyesore, clumsily crushed into an envelope half opened and insufficiently addressed. It is allowed to leave the office not alone, but in the company of equally faulty mail matter. And the harassed head of the business, seeing the balances dwindling, wonders why, with the best salesmen, an organization almost perfect, and goods all that he claims them to be, his rival still outstrips him in the race. As a hint he might well look at the correspondence methods of his rival.

The company which prides itself on its standing will make a special feature of its letter writing, with careful

attention to every detail of form, typing, and stationery. Nothing that concerns correspondence is too trivial to be overlooked. A man might as well go out to a reception with his clothes unbrushed or grease-spotted, as send out slipshod letters.

Stationery.—If a man is known by the company he keeps, a business house is equally known by its stationery. It is the official representative of the house. The object of every letter, it is true, is not to sell something, but there are few letters which do not contain a request or desire to have something done. They are read by the executive or by the department heads, and from their appearance the first impression of the sender is gathered. No firm can afford to employ a slovenly, ill-dressed representative or salesman.

He gives the man he interviews an unfavorable impression of the business he represents; often he does not obtain a hearing.

The first impression is often accepted as correct. This being the case, why send out an ill-dressed letter? Its recipient may know nothing of the house itself, and therefore will derive his whole impression from this silent salesman. The appearance of a letter is its first appeal, and on the first appeal often rest the fortunes of one's business. It is so easy to rectify slovenliness. Let your stationery be worthy of your firm, and expressive in some way of its merit.

A business house may express individuality in its stationery, but care should be taken to avoid anything freakish or extreme. Plain white or cream colored paper is dignified, and presents the best background for type-writing, whatever the color of the ribbon. White bond paper of a medium weight, with heavier bond for very formal letters and announcements, looks well and is excellent for typing. Bond paper lends itself fairly well to corrections, a point worth considering, since some corrections must be made even when the stenographic force is efficient and experienced, and most large houses employ some beginners and inexperienced typists also.



View of a Model Factory

In the model factory of to-day light and air are the first requisites. For this reason the height is limited to two or three stories; the windows cover practically the whole outer wall; and the use of the "saw-tooth" roof gives abundant light and ventilation over the entire plant.

Pressure of time will not always permit of rewriting. In ordering paper from samples, it is well to have a typist try them out, since even with cheap paper some kinds are more durable and easier to handle than others, while some expensive kinds have surfaces that are easily spoiled.

The usual size for business letters, about 11 x 8½ inches, is also the most convenient for filing. To save paper, half sheets may be provided for very short letters. Some offices like the distinctive appearance of folded note paper, but this is not often provided for the ordinary business of a firm. None of the smaller sizes is convenient for filing.

Continuation pages should be of plain paper without any heading of any sort, unless it be the simple line that it is a continuation page. It should be, however, of exactly the same grade of paper as the first sheets; in fact, it should be ordered at the same time with the other, in order to make sure of its being both the same quality and the same size.

This may seem like a small detail, but it will be appreciated by many large firms, who receive letters containing second sheets that go astray.

Letter-heads.—The letter-head should be engraved or lithographed. If type is used it should be simple and bold. Occasionally lettering may be printed from a line block. Bright colors should be avoided. It is better to use black. The trade-mark may be introduced, but it is out of place.

The letter should include:

1. The name of the individual or firm.
2. The address.
3. Department of issue to which replies are to be addressed.
4. Telephone number.

It might also display the names of the officers, cable address, foreign branches or agencies, and nature of business. But care should be taken not to create confusion by overloading. The less space used the better.

Advertising should rarely be permitted to enter into a letter-head. It is not the proper place for it.

Printed Matter.—Mr. Robert F. Salade, in the "Book-keeper," gives the following good advice in regard to the printed matter used in the office: "Let the business man spare time for a few minutes and glance over his stationery now in use. Is it good printing? Does every letter, rule, and other character stand out clear and sharp? Or are the characters broken and nicked in places with scarcely enough ink? Look on the back of your letter-heads, bills, etc. Are the letters and rules piercing through, so that they can be plainly read from the back of the sheets? Are the sheets marked on the back with offset, or smeared with ink? If any of these defects are noticeable, the work is not good printing, and you are not getting what you pay for; in the experience of the writer, 99 per cent of the business men are paying a reasonable price for their printing. Are the designs of your office stationery antiquated, containing ornaments which serve no purpose except to distract from the subject? If so, inform the printer on presenting your next order that you wish something more modern. Tell him to submit proofs before going ahead. Insist on the use of some of the latest clear-cut type faces. Where printed forms are used largely in the mechanical departments of a factory—stock reports, time-sheets, memo. blanks, etc.—it is the experience of every business man that the heads of the departments frequently make use of the last sheets before ordering an additional supply, thus causing a delay and upsetting the entire office system. As a remedy, the printer should be instructed on receiving an order for the blanks to place in stock and hold until the next order two or three pads of one hundred sheets each of the work in question. Thus, when the next order is placed, even though the last sheets have been used in the factory, the printer can deliver the reserve pads, and the delay caused by waiting for paper to be cut, printed, and ruled is overcome. The operation is then repeated on the following orders sent to the printer.

This plan is practised in some of the largest factories in the East, and has always worked to perfection.

"The business man can prevent considerable waste in printing by ordering all sheets, forms, blanks, etc., tableted in pads of one hundred sheets each. The sheets do not then become scattered and soiled, and, of course, are more conveniently handled in the mechanical departments. Where large quantities of printing are used, there is a considerable saving in ordering them in from ten to twenty-five thousand lots.

"Another good method of saving is to order the stock direct from the paper houses, paying the printer for his work on the same separately, thus avoiding the 10 to 25 per cent added by most printers for cutting and handling."

Envelopes.—It is preferable to use envelopes of corresponding size, and of the same quality as the letter sheet enclosed, although this rule is not strictly followed. In the same way it is customary to have the envelopes printed in exact conformity with the accompanying letter. Thus, if the name of the department appears in the enclosure, it should appear on the front of the envelope also, in the upper left-hand corner. If the letter can not be delivered to the person addressed, it will then be returned unopened to the proper department. If the card asks that the letter be returned if not delivered in five days, the postmaster will comply with this request. If there is no direction about return, and the letter is undelivered, it is supposed to be held at the post-office for thirty days, although in practise the postmaster often returns it earlier. It is unwise to send out any mail of importance—whether a business letter or not—without the name of the sender on the envelope, as if the letter fails for any reason to reach the person addressed, it is not returned until it has been sent to the dead-letter office and opened. Only first-class mail is returned without extra postage.

Enclosure envelopes come in sizes to fit the ordinary office envelopes, and it is well to have a supply of these, so that a return envelope may be inserted without folding.

If it is necessary to enclose an envelope of the same kind as the mailing envelope, the enclosure is folded once, the short way, or twice, if long envelopes are used.

Folding and Inserting Letters.—These are small matters, but they add to the good impression every business letter should make. Even in these apparently trivial details, business courtesy appears—letters are folded and inserted with regard to the convenience of the receiver. Thus, a sheet of note paper which fits the envelope with one fold is inserted with the loose edges down, the writing inside. Note paper that requires two folds is folded from the bottom upward, a little more than a third of the way, then from the top downward so that the loose edge does not reach the other fold. It is inserted with this loose edge up and toward the back of the envelope. The same method applies to the long fold for envelopes of more than $8\frac{1}{2}$ inches. Where the ordinary typewritten sheet is used with an envelope of about $6\frac{1}{2}$ inches, the folding is first from the bottom upward—not quite to the top, except that in the case of great numbers of circulars where it is required to fold with much speed, the folding may be exactly in the middle. The second fold is from right to left, a little more than a third of the distance, then the left edge toward the right, leaving a margin between this loose edge and the other fold. Insert with the loose edge up and toward the back of the envelope. It will be noted that if an envelope is opened in the ordinary way by drawing a letter opener through the flap at the back, the enclosure is drawn out in a way to make it unfold easily with the heading at the top.

Importance of the Address.—No detail of correspondence is more important than the use of a correct and full address. If the signature of a letter is hard to read, one should refer to the heading, to previous letters, or to any directories or other material that may give the needed information. Even when writing to a large firm, the street address should be included, to facilitate the work of the postal clerks if for no other reason. The Govern-

ment Postal Guide is an effective check for the correct spelling of town names. If a letter does not go direct to its destination through insufficient or wrong addressing, days and even weeks may elapse before there is an opportunity to pick up the thread of business thus delayed, and it is evident that loss of custom and good-will must ensue.

Typewritten Letters.—All business correspondence should be typed. Black, blue-black, and purple ribbons, are in good taste, with the preference for black. Two-colored ribbons are useful in statistical reports and pages where it is deemed advisable to separate two kinds of items, or to bring out some particular detail, but a second color is out of place in the ordinary letter.

The mechanical execution and arrangement of the typewritten matter is of great importance to the appearance of the letter. The type should be brushed every morning before work, and whenever during the day any type face begins making blurred impressions it should be cleaned immediately. If possible, letters sent out should contain no erasures; but since in actual practise many letters have to be so changed before they are mailed, it is well for each typist to be provided with a soft eraser as well as the harder one usually given out for erasing type-written errors. The soft eraser makes it possible to remove dust or a smudge caused by contact with the carbon paper without disturbing the surface of the sheet. It pays to estimate carefully the length of the letter, and the best position for it on the sheet before beginning, so that, whatever the number of words, each page may be attractively arranged. The right-hand margin should be kept as even as possible, and in easy balance with the left-hand margin. Where the single-space typing is used, it is customary to leave a double space between paragraphs. Usually a single-space letter of one page is preferable to a double-space letter that requires a second sheet. It is a little easier, too, to arrange a neat-looking page with single spacing, while a rapid reader takes in more of it at a glance. On the other hand, wider spacing

is conducive to accurate reading, and is more pleasing to readers whose eyesight is not perfect.

Care in the mechanical details of typewriting may take a little time, but it is an important factor in making the completed letter a first-class representative of the firm.

Arrangement of the Letter.—Besides the name and address of the firm, and other details appearing in the printed or engraved heading, every business letter contains:

1. Month, day, year—in this order.
2. Name and address of the person to whom sent.
3. Opening salutation.
4. Body of the letter.
5. Complimentary ending.
6. Signature; if typed, followed by written signature of official.

It often happens that a glance at a page gives an impression favorable or unfavorable that can not be entirely changed by the words of the letter itself. Hence the necessity for giving the letter an attractive dress—good paper, a clear, dignified letter-head, artistic adjustment of margins, and a careful arrangement of the parts. Proper spacing and margins are in part matters for the judgment of the typist, and advice and training should be given inexperienced clerks at the start. The head of a correspondence department is recommended to prepare a brief "style book" containing the rules preferred for arrangement, spacing, display, and any other details to be followed by all the typists in the department. This will save time and often rewriting.

At the upper right, near the letter-head, but not too close, is the date—month, day, and year, as "October 26, 1914." This should end as nearly as possible at the right margin. It is permissible to abbreviate the name of the month—except May, June, and July—when it precedes the number of the day. The addition of *d*, *rd*, *th*, *st*, etc., is unnecessary when the number of the day follows the name of the month. A comma separates the day from the year, and the date line is closed by a period. If the

letter-head does not give the address of the writer, this detail precedes the date, the whole heading occupying one, two, or three lines, according to length, but not extending to the left much beyond the center. The form may be varied a little for style or display, or to include any other necessary item. It is permissible to abbreviate the name of a State—never the name of a town or city—when it follows the name of the city or town. Such words as “street” or “avenue,” following the particular name of the street or avenue in question, may be abbreviated. In American usage, no comma follows the house or room number; street, city or town, State, date, are separated by commas.

The introduction—name and address of the person to whom the letter is sent—begins a few spaces below, at the left margin. It is usually arranged in three lines, the first beginning at the left margin, and each of the others indented under the preceding line. In some offices a rule is given for the indentation, always five spaces beyond the beginning of the preceding line, or always ten spaces, as the case may be. An experienced typist often obtains a more pleasing effect by varying the indentations for lines of different length. Following a definite rule saves time. The usual rules of courtesy are followed in the titles used:

“Mr.” is used in addressing a man who has no other title.

“Esq.,” following the name, is usually confined to lawyers, justices of the peace, or other persons connected with the law. It is never used in connection with “Mr.”

“Dr.” is used with the names of physicians and people who hold an academic doctor’s degree.

“Prof.” is applied only to those who actually hold professorships in universities, colleges, or other advanced institutions of learning.

“Hon.” is given to judges and people holding high office. In such cases, the salutation is usually “Sir.”

“Messrs.” is used to precede a firm name, unless the name is arranged in such form as to make the use of a title unnecessary. Usually a corporation name does not

require a title, but the same title may be used if the name reads like that of a firm.

A firm of ladies may be addressed by the use of the French plural, "Mesdames."

Academic degrees, the designation of one's official position, etc., may follow the name, but no additional designation should be used that has the same meaning as the title preceding the name.

Sometimes letter writers give the address only briefly, omitting the house number. Where a great number of letters are written, this form saves time and space, but it is hardly consistent with the general care taken to make the carbon copies matters of record. Often the exact address to which a particular letter was sent is the very matter for which a letter copy is consulted.

The parts of the introduction are separated by commas, with a period at the close.

For convenient reference, the particular subject of an important letter is sometimes written at the top. It may be placed in the middle, above the introduction, or on the line below the salutation, above the body of the letter.

The salutation always begins at the left margin. It varies in accordance with the degree of intimacy between the two people concerned. Customary forms for use in business letters are:

Dear Sir:	My dear Bradford:
My dear Sir:	Dear Madam:
Gentlemen:	My dear Miss Brown:
Dear Sirs:	Ladies:
Dear Mr. Blake:	Mesdames:

In typewritten letters, the salutation is followed by a colon, or by a colon and a dash.

The first line of each paragraph is indented, either five or ten spaces from the margin, as the rule of the office may be. Sometimes the indentation is governed by the beginning of the last line of the address, or, if no rule is assigned, the typist may adjust it to the general form of the letter. To follow a definite rule is always an aid to speed.

The rule is often given to begin the complimentary close at the middle of the line below the body of the letter. This is not always the most pleasing arrangement, and it may be necessary to adjust the close according to its length and the width of the letter, so as to leave the margin intact. Below, indented under the close, unless the length of the name makes a different beginning necessary, is the name of the firm, usually typewritten. The complimentary close is followed by a comma. Only the first word begins with a capital.

The signature of the official responsible for the letter is placed beneath the typewritten name of the firm, with his official title underneath, and ending at the right margin. Usually the initials of the dictator and the typist appear at the left margin, below the letter, as "EIB-MAE," "B-E," "EIB/E."

If there are important enclosures, that is, important enough to be mentioned in the letter, that fact is indicated by placing below the initials the word "Enclosure," "2 enc.," as the case may be. This is a necessary detail, for it leads the clerk who folds and inserts the letters to verify the fact of the enclosures being made (they are usually attached to the sheet by the stenographer or typist who writes the letter). It also calls the attention of the recipient to them, and minimizes the danger of their being lost or unnoticed.

Beginning All Parts at the Margin.—The arrangement just given is a conservative form, long in use. The desire to save time has led to a plan in which more lines begin at the left margin. This may mean that all the lines of the heading begin at the margin, or that the plan is carried farther so that each paragraph begins at the left margin, the spacing between paragraphs and the broken line at the end of each one indicating the separation sufficiently. This form has been carried so far in some houses that not only the lines of heading and paragraphs start at the left margin, but the date line and the complimentary close and signature as well. It is evident that this last arrangement makes for speed, but it is doubtful

if the gain is enough to compensate for the unbalanced appearance of the letter.

Where note paper is used, there is greater flexibility of arrangement. Often the name and address of the recipient are placed in the lower left corner. Other changes may be made that add to the distinctive character of the sheet, even if they take a little more time. The use of paper that differs from the standard office size suggests a style approximating that of a social letter. It is, of course, allowable to add to the individuality of a letter by some special feature of style or display, provided it is dignified and attractive.

The Letter Itself.—Every business letter is written with a definite aim—it may be to gain publicity, to make a sale, to answer an inquiry, to secure information, to collect a debt, to accompany and enclose a payment, to satisfy a complainant, or merely to promote good-will by extending a courtesy. And since the purpose is so definite, the first and greatest requisite of the business letter is clearness.

The writer must know what he has to say, and say it in a way that there can be no mistaking its purport. Wherever possible, a separate letter should be written for each different subject.

Every statement should be accurate. A statement made in an interview may be modified or revised, but the letter once sent becomes a matter of record.

When the matter in hand permits, the business letter is brief. The letter that is not too long is fairly certain of a careful reading, and it is a part of business courtesy not to bore the man with whom one deals, or take too much of his time. But brevity is not absolutely essential; indeed, one must guard against abruptness; and in some cases a long letter is necessary to state the facts clearly. But business writing should at all events be concise. Even if one writes several pages, there is no room for rambling remarks or for irrelevant matter.

Courtesy is so common and so essential in modern business that it is not hard for the experienced man to make

every letter he sends a messenger of good-will. Everyone should guard against writing letters under stress of irritation or emotion that may seem in any way to depart from the rule of courtesy. The written word is hardest of all to recall. Even in threatening legal proceedings the wording of a letter should be such as to increase the respect in which the firm is held.

Personality is a strong factor in making letters a success. The successful letter writer avoids stereotyped forms.

Even at the beginning of a letter, the reference to previous correspondence or interviews may be made in an original and easy way of the writer's own. Wherever possible, more vital expression should be substituted for the phrases that have become a kind of jargon belonging only to business correspondence.

Put yourself in the reader's place. Your letters will not be judged by their style or literary value, but by the appeals they make to the men and women to whom they are sent. If you know your readers personally or through previous correspondence, so much the better. If you know something of their surroundings, their education, and their business, you have some premises for judgment; but at any rate, think of the reader's point of view when you write.

Routine Letters—Under this head are grouped the every-day letters of a firm, inquiries, orders for goods, etc., and replies to similar letters received. The main thing required is that they should be absolutely clear.

If you are ordering goods, tabulate or list the articles in separate paragraphs, giving details of price, size, etc. State clearly how money is sent, with exact amounts; what mode of shipment will suit you best; by what date you want the articles to reach you; and, above all, be sure to give your full address. If your correspondent is slow in replying, send him a courteous hurry-up letter, pointing out his evident omission or delay. Answer inquiries at once, if possible. To delay makes the inquirer imagine that you are too careless or indifferent to attend to him.

The Paragraph Book.—Purely routine letters are simplified by preparing in advance a series of form paragraphs. These are kept on file or pasted in a book, and with a series of them before him, the correspondent can save time in dictation by indicating to the stenographer that she is to use form paragraphs No. 1, No. 4, etc., as the case may require. These form paragraphs are written with great care in moments of leisure, and often state the case more happily than is possible with hurried dictation. They should not be applied to all routine letters, but even in special cases the paragraph book may suggest a happy form of reply.

Complaints, How Treated.—The complexity of modern business relations results in errors of all descriptions. Complaints of service, claims for returns and allowances, and notices of changes in addresses are numerous.

In order to deal adequately with each case it is essential that all correspondence in this connection be assigned to one person for adjustment; constant handling of this branch of the business will enable him to dispose of complaints to the ultimate satisfaction of everybody concerned.

There are two recognized methods of treating complaints: (1) to acknowledge immediately the receipt of the letter; and (2) to send no acknowledgment until the matter is adjusted. It is obvious that definite satisfaction is what the customer seeks, but should there be any delay in tracing the goods he would not know in the interim that his communication was receiving attention. The nature of the business and the complaint will therefore suggest to the correspondent which course to follow.

To judge accurately of the merits of each claim, the person in charge should investigate it thoroughly before attempting an adjustment, and every effort should be exerted to treat the customer equitably, even generously, in order to retain his good-will, and particular pains should be taken to prevent a recurrence of the cause of complaint.

As to the form of letter and arrangement of details,

the correspondent must bring his knowledge of the complaint to his aid, and act accordingly. He must at all times, however, adhere strictly to the matter in question, and bear in mind the advertising value of each conciliated customer.

Collection Letters.—One of the most difficult matters to deal with is the collection of money owing. To remind a debtor of his obligation is usually a matter of some diplomacy. To write to him is easier. In writing a letter asking payment, it is best to be as impersonal as possible, and to make it appear as if the letter were merely issued as one of the necessary details of the business. A debtor sometimes has a tender conscience. He dislikes to feel that he is being personally persecuted, but if he realizes that the letter is a customary adjunct he will not take offense. This is no plea for a debtor of course, but diplomacy may gain more than force. There are three classes of debtors: the Dead-slow, who never pays until he has to; the Dead-broke, who is for the moment financially crippled; and the Dead-beat, who has no idea of ever paying, and they must be handled in various ways. (See *Collections*, Vol. III.)

Usually a form letter is sent enclosing the account with a hint as to forgetfulness or escaping attention, and asking a remittance. If no attention is paid, more vigorous action is necessary. Every firm has its own idea of credits, and the period of grace allowed to a customer varies considerably. Some send follow-up notices, others increase the urgency of the request, at the same time working on the impersonal basis, that is, that the writer is sorry, but business must go on. Sometimes a note of sympathy brings results.

It is best, however, to stick to business arguments. Your customer owes you money. He is hindering the progress of your business. The final resort, of course, is to threaten legal proceedings. This need not be brutal, but may be regretful of having to take such a step. At any rate do not threaten vaguely, but be exact in stating what you intend to do—that failing payment by

such and such a date you will be reluctantly compelled to place the matter in the hands of your attorney.

Sales Letters.—Those letters which aim at securing business are the hardest to write. Rouse the interest of your reader right away; convince him that he should buy what you want to sell. Finally make him realize that he has to order without delay.

You must show the need by emphasizing the good points as compared with those which you imply are not found in rival productions. Or you may show the value in time and money saved, appealing to the common sense. There must be some particular excellence to form the basis of your motto or war-cry. Prove it, if you can, by figures. If your goods can be tested, send samples. When you have succeeded so far, get the order. Make it easy by enclosing a form for signature. Enclose post-cards or envelopes ready for mailing.

Letters are a very valuable adjunct to many advertising and selling campaigns. Their chief value lies in the fact that they are a distinct and separate factor which may be utilized to aid the other selling agents enormously. There is no limit to their field of usefulness. They may supplement the other methods, or they may be utilized alone—as they have been in many noteworthy instances—to build up successful businesses.

Follow-ups.—Follow-up letters are reminders or further arguments in letter form, rendered necessary if the first letter fails to evoke response. In selling goods or furthering publicity, in collecting debts or accomplishing any other purpose that can not be effected by one letter, the carefully planned follow-up series is of value. In some systems each letter is distinct in itself, but presents a different appeal and a different set of arguments or evidence from the letters that have preceded it. More often the letters of a follow-up series are logically connected with each other, and each refers to the letters that have been sent before. But the follow-ups are not merely continuations of the original letter; they should be just

as carefully planned, with a possible increase in force and originality. In a collection series, the stronger demand for payment comes last, ending perhaps in legal proceedings.

Form Letters.—Nearly every department of a business house prepares some form letters for use in certain phases of the business that come up over and over again. Sometimes these are so purely routine matters that printed forms with dates and figures filled in to fit particular cases might be substituted for typewritten letters. In others, the form letters carry a personal message, and have all the force of separately dictated letters. Where these letters are sent out only occasionally, and the personal appeal is of great importance, they are copied by the typist, who is assigned "Form 3" or "Form 5" instead of taking a dictated letter. Since the form letters are carefully prepared and revised without regard to time, they often serve a certain purpose better than a letter hurriedly composed and dictated. Combined with the paragraph book, they offer a means of handling with despatch such matters as have no special features to distinguish them from others handled by correspondence. When carefully typed and signed by the official responsible for them, they are most effective, provided care is taken that no form letter is sent when it does not entirely fit the case in point.

Where it is desired to reach great numbers of people with the same appeal, form letters are produced by mechanical processes, usually in imitation of typewriting. (See *Duplicating Devices*, Vol. I.) The letter is printed directly from type, of the same style as that in use on the office typewriters, through a typewriter ribbon of a standard color. The address and date are filled in afterward to match the body of the letter closely. The printed form letter should be most carefully prepared as to wording, arguments, stationery, and mechanical execution. If it is intended to be taken for a private communication, not one of thousands, the utmost care must be taken in all the details of workmanship. This subject is treated

more fully under *Form Letters and Follow-up Systems* in the next chapter.

Letters have an advantage over personal solicitation in being of uniform cost, regardless of distance, certainly within the limits where the same rates of postage prevail, as in the United States and her possessions; but the impression they create is often less intense than that of a personal visit, and, consequently, the results may be proportionately smaller. This is not always true, for in soliciting business on behalf of a newspaper depending for its character and usefulness largely upon its own locality, it is desirable to quote statistics of the resources of the community. It is manifestly impracticable for a solicitor to explain or illustrate such statistics in a personal interview; and in a letter or booklet they may be imparted quickly and with the utmost human interest.

Telegrams and Cablegrams.—Houses that have agents or branch offices in many parts of the country usually supply them with code books, in which one word may stand for a longer expression. This makes it possible to send a telegraphic communication in very brief form, and to guard information that is for the use of the firm alone.

The ordinary "Day Message," in which the minimum charge applies to messages of ten words or less, has precedence over all other telegrams. Numbers are usually written in words, since each figure is counted as a separate word. Punctuation marks are not sent as part of the telegram unless that is specified, in which case they count as words. Address and signature are free. The name of a State or city, even if composed of two words, counts as one. An ordinary business abbreviation, such as *f. o. b.*, *C. O. D.*, may be sent as one word, but it should be written without the periods, *fob*, *cod*.

Night telegrams are sent at reduced rates. "Day Letters" are taken with the understanding that the regular "Day Messages" have priority. In a "Day Letter," the minimum charge applies to all messages of fifty words or less, with an additional charge for any words in excess of fifty. "Night Letters," if received before midnight for

delivery the next morning, are transmitted at a still lower rate.

Cablegrams are so expensive, even the address and the signature being included in the charges, that the use of code words is particularly desirable. A firm that uses the cable often, registers a code word to stand for its entire name and address. Such words must be in a form that can be pronounced.

Confirming Telephone and Telegraph Messages.—It is customary to confirm orders or agreements made over the telephone by a letter immediately following. A telegram or a cable message is quoted verbatim in a letter written at the same time, either in the body of the letter or by means of an extra carbon copy of the message made for enclosure. A letter acknowledging an important telegram or cable usually quotes it in full, and if the message was in code, may give also the translation of it.

Remittances by Mail.—Occasionally small sums of money are sent by use of a coin enclosed in the usual way. If stamps are enclosed they should be of the denominations in most common use. Registering a letter that contains money or valuables makes it certain that a record is kept of the transit and delivery of the package. Better ways of transmitting money are the use of a check (if dealing with strangers, a certified check or a cashier's check may be required), a postal money order, or an express money order, since no one but the person addressed can cash the check or money order made out in his name. The exact amount and the form of remittance enclosed should be mentioned in the letter that accompanies it.

3. OUTGOING MAIL

All outgoing mail is in the hands of the outgoing mail clerk (who may be the head of the mailing department), or a staff of clerks under one head. Their duties are to see that outgoing mail is gathered and brought to the mail room, that it contains all the specified enclosures,

and is properly stamped and mailed. Care in examining will often save expense, as several letters to one firm may be mailed under the same cover.

Verifying Enclosures.—The various stenographers should address their own envelopes and attach the enclosures to the letter sheets or place them in the envelopes; or someone else in the same department must be responsible for this work, in order that the proper enclosures may certainly be made. The department that originates the letters is then responsible for any error in address or in selection of enclosures. Much inconvenience and expense may result from the use of a wrong address. Where the enclosures can be folded easily inside a letter sheet, as in the case of a check or money order, it is another safeguard to fasten it to the face of the letter and fold with the sheet. The "Enclosure" or "3 enc." or "Money order enclosed" typed at the bottom of the letter is a check against any error of omission. The stenographer sees it when placing the envelope with the letter, and the mailing clerk verifies the fact of the enclosures being made before sealing the envelope.

Collecting, Stamping, and Mailing.—In some houses the department that originates the letters also stamps the envelopes. The mailing clerk should note the charges against each department, and the cashier should check the amount against the postage given the various departments, thus preventing leakage. Mail should be sent to the mail room as often as possible during the day, and it should be sealed, weighed, and stamped at once, and either taken to the post-office or to a post-box. Locked mail bags made according to Government requirements can be kept on hand, and when filled delivered direct to the post-office. The clerks who attend to outgoing mail should have a thorough knowledge of postal conditions, of mail-train schedules, of the rates and rules, including those for parcel-post service, and of the foreign postal rates and the departure of foreign mails. These facts can be obtained from the post-office, and the collection

and sorting of the mail should be made accordingly. It is of particular importance that letters or packages for foreign countries bear the correct postage, since the rules of delivery of such mail often cause considerable annoyance to the recipient of a "postage-due" letter. When addressing a letter for a foreign country, the stenographer may call attention to the fact or to the required postage by a pencil notation in the stamp corner.

When a firm has several branches and factories, numbers of letters are daily written to them. This mail is sent to the mail room without cover, each letter bearing the proper address. It is then sorted, and the mail for each plant or branch enclosed in one large envelope. The clerk should be provided with a sorting basket or a file with a compartment for each branch.

Every endeavor is made to get the mail off as promptly as possible, a boy being sent around to the different departments every hour to collect all that is ready to go out. Departments handling important letters should themselves be familiar with the mailing schedules and know when important mail should be ready, so that they may take advantage of the best mail transportation. By consulting the post-office a schedule can be prepared for the plant and branch mail, and these letters allowed to accumulate until the time for sending them. Mail should be sent to the mail room at frequent intervals to avoid the "rush" that always comes at the close of the day. This lessens the close-of-the-day hurry in the firm's mailing department. More important, the mail reaches the post-office before the great bulk of letters and packages from business houses, and is handled more quickly and accurately.

Checking Postage.—The postage account of a large business house is an important item. It should be carefully looked after by a thoroughly reliable person. A strict account should be kept daily of the postage received and given out, so that when the postage account is made up the two should balance. A statement should be kept of the number of stamps of each denomination received, and the number used. This will necessitate the counting

of all postage placed on the mail, before it is sent out, to see that it tallies with the postage record. Where a mailing machine is used, for sealing and stamping, the count of the stamps is registered by the machine.

Some large houses have adopted the system of perforating their postage stamps with a private monogram or initial, cut out so as not to mar the legibility of the stamp. The Government permits this perforation, and it serves as a check upon dishonest persons who might try to dispose of the stamps on the outside.

The careful accounting for postage stamps under strict rules may not only result in a saving to the proprietor, but may save young clerks from dishonesty, through the removal of temptation which always exists where small articles of value are accessible and carelessly handled.

4. FILING SYSTEMS

A feature that is not only important, but necessary, to any business office is an effective filing system—one that makes correspondence and important memoranda available without loss of time. It is evident that an experienced and careful filing clerk is essential to the efficiency of the correspondence department, and to that of the business as a whole. Whatever the system employed, no one who is not entirely familiar with it should take out or replace any papers whatever, and when the clerk in charge removes papers for the use of any department, a memorandum should be kept. A card with memorandum may be inserted in the place of the missing papers, or a record may be kept of all papers taken from the file, each item to be canceled when the papers in question are returned. If the business is large, it is well for the clerk to take a receipt from the person to whom filed letters are given.

There are four simple methods of filing—Alphabetical, Geographical, Numerical, and Subject—besides many ways of combining the simpler forms in order to serve some particular need of the business, or to make the file available without recourse to an index. If any complica-

tions are introduced into the filing system, it becomes more than ever necessary that the entire supervision of the files be in the hands of an intelligent and competent employee. Vertical files with drawers, folders, and guide cards of standard size to accommodate the ordinary type-written letter sheet—usually about 11 x 8½ inches—are in almost universal use for correspondence.

The Alphabetic File.—The alphabetical method of filing is the simplest, least liable to error, and most commonly used of all. Indeed, alphabetical filing is always a part of any other method used, since a card index or a secondary alphabetical arrangement is necessary with all the others. The folders in ordinary use are of stiff manila paper, each with a tab or with one side projecting above the other to display the name or subject of the letters within. Guide cards are placed at convenient intervals. These are of heavy cardboard, with tabs for the divisions and subdivisions of the alphabet. The tabs are usually strengthened by celluloid or cloth, or are provided with metal tips. They display the divisions and subdivisions of the alphabet, as "Ch," "Bl to Br." Separate guides may be obtained for as many subdivisions as the volume of correspondence seems to warrant. A folder is assigned to each firm with which much correspondence is carried on, and the name of the firm or individual is entered on the projecting edge or tab of the folder. Guides and folders are arranged in exact alphabetical order, with at least one miscellaneous folder in each division for letters from correspondents who do not write frequently. In placing any firm's correspondence in a folder, each letter is filed facing front, with the letter-head toward the left, the latest letter in front. Each letter is filed according to the name of the correspondent, hence in a simple alphabetical system there is but one place to look for any particular paper. When the correspondence of individuals needs to be filed with that of the firms they represent, a small card index may be kept to show where such letters are to be found, or a memorandum of the firm name under which the letters are filed may be kept in the place for

such individual name in the file. Sometimes the connection is established by cross references entered on the letters themselves. Such cross references serve also to call attention to the names of other firms and individuals interested in the same subject. A date or other notation to indicate when or how a matter was completed may be of assistance.

The Geographic File.—In some kinds of business it is important that correspondence be grouped according to locality. The primary divisions may be the States of the Union, with the correspondence from each State filed alphabetically. A true geographical file is subdivided into towns, or into States and towns, alphabetic order being followed as usual in the arrangement of guides and in the placing of the correspondence into each subdivision. To make as much information as possible available at a glance, the guides indicating the States may have tabs on one side—as the right—while the guides or folders for large cities or places of great importance to the business of the firm have tabs on the left, or the other side from the State tabs. The tabs indicating less important subdivisions would then occupy the middle spaces. In order that any geographical file may render full service, it must have an alphabetical card index, so that any correspondent may be located by name at once. Sometimes a similar purpose is accomplished by filing alphabetically and keeping a geographical card file—a serviceable method with publications that are sent to all parts of the country.

Filing by Subjects.—This method of filing requires great care in indexing and in entering cross references, since a letter may refer to more than one matter, and the subject that suggests itself to one person for a guide may not be the same as that which occurs to another. It is often very important, however, that all the letters pertaining to a given matter, or relating to kindred matters, be found at the same time. A railroad, for instance, may wish to be certain that all correspondence and papers relating to accidents of any kind can be found together.

A manufacturer who makes different kinds of articles may need to be certain that all data having to do with any particular one of them can be found at the same time. A contractor would keep together papers pertaining to any single contract or particular part of his work. If the number of subjects to be handled is small, subject folders can be inserted into the alphabetical or numerical files. Cross indexing for such filing is absolutely necessary, and a complete alphabetical card index by names should be kept with a subject file. Major subjects are entered on the tabs of the guide cards, and subdivisions of the general subject on the folders. A special subject file may be kept while an alphabetic file is used for ordinary correspondence.

The Numerical File.—This method is commonly used if the volume of mail is too large to be handled easily by the alphabetical system, and if there is a large number of regular correspondents. Each correspondent is assigned a number, and all letters and papers relating to him are filed in a folder bearing that number. An alphabetical card index gives the number of the folder at once, and the arrangement of the numbered folders in the natural sequence makes any one of them easy to find. If the correspondence of any house overflows its own folder, the folder may be dated and a new folder bearing the same number and the date at which it was inserted may be placed in front of the first. The guide cards are usually numbered by tens, the folders by units. It is evident that a numerical file permits of indefinite expansion without greatly adding to the difficulties of arrangement. Numerical and subject filing are often combined.

Combination Methods.—An attempt is sometimes made to do away with the card index by combining two or more methods of filing. For instance, the number of alphabetical subdivisions being determined upon, guides may have not only alphabetical labels, but numbers as well. Each folder behind a certain guide carries the division number, as well as the name of the person whose

letters are enclosed, making it particularly easy to return correspondence to its place. Alphabetical subdivisions, numbers, direct names, or any other important guiding details may be on tabs so arranged that they do not obscure each other. So much attention is given to filing methods for modern business that it is easy to obtain from the houses dealing in office supplies, materials and plans specially adapted to any particular business. It is well to remember, however, that the simplest and most direct methods are usually most accurate and most flexible.

The Card Index.—This is the most adaptable of all modern office accessories. In connection with the correspondence files, it furnishes not only a complete alphabetical index by individual names, firm names, and subjects, but there is space on each card for cross indexing and cross references, and for entering any particular fact about an individual or a firm that must be considered in handling its business. Divisions of correspondents into classes, dates, subjects, may be indicated by using cards of different colors; and tabs, tags, and a line of figures to indicate the days of the month, add to the number of facts that can be learned at a glance.

Tickler Files.—When a letter is to be taken up or followed up at a specific date, two carbon copies are made, one of which is filed with the correspondent's letter, and the other placed in the tickler or reminder file, the divisions of which are labeled to indicate the days of the month. The memory is thus jogged at the proper time, and no small detail is forgotten. Another kind of tickler file is arranged in two parts—one alphabetically, and the other with date guides. The correspondent's letter is filed alphabetically, and the carbon copy of the answer under the date chosen for reference. A tickler file may be kept for the correspondence department in general, and each particular correspondent may have a desk file for the matters in which he is particularly concerned. Letters to branches, which are frequently inquiries, often have blank spaces for replies, the original letters being

used. When these are returned to the inquirers they are complete, and there is no need to refer to the copy.

Transferring Files.—It is evident that the accumulation of matter from month to month renders it increasingly difficult to find any particular letter quickly. It is, therefore, customary to remove old letters at specified dates to transfer cases where they are easy of access, but out of the way of current matters. This may be done by removing all letters that preceded a certain date, leaving, perhaps, any matter that is still current with the subsequent correspondence about it. That is, in July all letters with dates prior to January 1 may be transferred, with the exception of those pertaining to matters still unsettled. It is unwise to remove letters dated less than six months previous to the current date. In some cases it would be better to keep an entire year's letters on hand; or, two sets of drawers may be kept—one for the correspondence of the previous year, and one for the current one. Then a year's correspondence may be transferred at a time intact. The transfer cases should be uniform in size, and kept where they are easily accessible.

Importance of Correct Filing.—It is easy to slip a letter into the wrong place, and exceedingly difficult to find it again after such an error has been made. The importance of simplicity and accuracy in the filing system, and the necessity for intrusting this important office detail to a reliable person, is very evident. It is also important that the system be adapted to the purposes it is to serve. Subject filing, for instance, is the most difficult method to carry out satisfactorily, yet it is often essential. Whether there is a separate subject file or the subjects have folders in the alphabetical or numerical files, there must be enough cross indexing to make it certain that the letters can be located by name of correspondent also.

"Did we ever do this before for anyone?" "What has been the practise hitherto in this matter?" are questions that may come up at any time, and intelligent indexing and accurate filing make it easy to answer them at once.

Perhaps the word most familiar in present-day business life is "Rush!" and it is particularly applicable to the handling of correspondence. It is no longer a case of "Please see if you can find the papers on that subject"; what we now hear is "We must have those papers at once!" This is a hint as to the necessity for the file clerk being able to give practical proof that he is "on the job." It happens frequently—not once a month, but probably several times a day—that the chief of the office in a telephone conversation, will say: "Hold the line just a second until I get my file." If the file clerk is unable to produce the papers forthwith, woe unto him! But he almost invariably does produce them, and with surprising despatch.

Keeping Useless Letters Out of the Files.—A great saving of time, labor, and space, with an increase in speed and accuracy in finding important matters may be effected by keeping useless letters out of the files. This is, of course, a matter for careful discrimination, but each day's mail brings many communications that have no real present or future value to the firm. These should be consigned to the waste-basket, since their presence in the files is a continuous hindrance to effective work with valuable correspondence.

The File Clerk.—A first-class filing clerk is one of the really important members of the office force. His work is responsible and requires good judgment and steady application. Since all the correspondence of the firm is accessible to him, it is necessary that he be worthy of the entire confidence of his employer. It comes within his province to prevent errors, to save the time of important officials by having their data ready for them at the right time, and to prevent discussion and even litigation by keeping easily available all the necessary details of every transaction of the firm.

VIII

FORM LETTERS AND FOLLOW-UP SYSTEMS

Form Letters and Circulars—Manifold Letters—The Signature
—Good Materials—The Matter of Postage—A Written Salesman
—Securing Attention and Interest—The Reader's Point of View
—Compelling a Sale—Follow-ups—The People the Letter
Reaches—Talking Points—Following Up the "Not Interested"
Ones—Enclosures—Right Ways and Wrong—The Mailing List
—Beginning the Campaign—A Good Point—Try-outs—Expense
Must be Considered—Number of Letters to Use—Follow-up Sys-
tems—Classified Lists—Use of the Card—Necessity for the
Return Card.

VIII

FORM LETTERS AND FOLLOW-UP SYSTEMS

THE markets of the world, to buy and sell in, are now at everyone's door. Selling by mail did not begin with this generation. People used the post, in olden days, to transact their business affairs at a distance. But it is within one generation that the business of selling by mail-order has developed to such colossal proportions that it threatens to overshadow other methods. There are enormous retail houses that sell entirely by mail. Manufacturers and jobbers find it an excellent medium for selling to dealers. There is hardly a business that has not a mail-order department. All over the world, consumer and producer alike make constant demands that the facilities of transportation and communication be extended, improved, cheapened. The city man, groaning over the high cost of foodstuffs, adds his plea to that of his country brother who wishes to buy and sell in the city markets. And since this was true before the establishment of the parcel-post in America, and before the express companies reduced their rates, it is hard to overestimate the future development of merchandising by mail under the new régime.

The mail offers a quick and effective way to reach purchasers who are almost inaccessible to personal visits. While a salesman is covering two cities, hundreds of thousands of catalogues may be placed in the hands of potential buyers all over the United States and Canada, the sources of both immediate and future orders. And for the merchant whose wares are reliable, the mail offers a means of building an established trade and announcing new goods at once to customers everywhere. With the development of this phase of a business, the advertising

and correspondence departments of a company become increasingly important, and men of the highest ability and training devote their skill to the preparation of catalogues, booklets, and other advertising matter, and to the composing of "letters that sell." And while the printed catalogue and the advertisements and announcements may be the basis of mail-order business, it is often left to the personal letter to supply the impetus to action that results in a sale.

Form Letters and Circulars.—Many business transactions are unique, and the letters about them are dictated and prepared each to further the purpose of one particular dealing and no other. On the other hand, numbers of transactions resemble each other in all essential details, and letters effective for one of them are equally adapted to another.

As outlined in the preceding chapter, nearly every department of a company prepares a few form letters for use whenever a certain phase of the business, requiring correspondence, is repeated. Sometimes these refer to mere routine matters, and printed forms, filled in to suit the individual case, may be substituted for the letters. Often the form letters are among the most important communications sent out, and represent the best skill in letter writing in the house. If only a few people are to be reached in this way at a time, or if a single transaction is so profitable as to make the matter of a typewritten letter for each prospective customer of little consequence, the typist copies carefully the particular form to be used, inserting the correct date and address. Thus, it reaches the reader like any other personal letter, perhaps with added force because it is so carefully worded. But by far the greater number of form letters are manifold copies made with the aid of one of the many modern devices for imitating typewriting. The addresses, dates, and any necessary details are filled in afterward by a typist.

A circular differs from a form letter in that it is frankly a piece of advertising matter, with no attempt to make it appear to be an original personal letter.

Manifold Letters.—Wherever the imitation typewriting letter is used, the work should be perfectly done. The manager of a large single-line house, which does its entire business by mail, writes: "The first reply I ever received to one of my form letters read something like this: 'Gentlemen—I have just received your circular letter of the 15th inst. We are not in need of anything in your line to-day; perhaps some time in the future, etc.' When the writer referred to a circular letter received I knew it was all over with him."

Truman A. De Weese writes: "I am not altogether certain that the follow-up system should not consist entirely of separate pieces of printed matter, instead of false typewritten personal letters." This is an extreme view, for in spite of the fact that the imitation typewritten letter is easy enough to detect, the field opened to the merchant and manufacturer by the mails is so broad that the use of form letters, circulars of all kinds, catalogues, etc., is constantly increasing. But this view emphasizes the necessity for scrupulous care in the execution of the mechanical features of the form letter. The best machines for turning out manifold letters print from type exactly like that on the typewriting machine, and through a ribbon of the same color and material as that used on a typewriter. In ordering the work done, the color of ribbon is specified. The addresses are afterward filled in on a typewriter, with exactly the same type and shade of ribbon used in the printing. This filling in is a matter for the careful consideration of the head of the correspondence department. Too often it is done by an inexperienced typist who is required to complete the letters at her highest speed. The difficulty here is that the shade of color in the letter is not always the same at every stage of printing, and the typist who fills in addresses needs to watch her own touch to make the comparison exact. It is a wise precaution to have the ribbon for the duplicating machine and that for the typewriter purchased at the same time, of identical material and color.

"The deadening effect of mismatching," says George L. Louis, "can only be appreciated by the one who mails

such a letter and impatiently waits for replies from what he terms 'stupid merchants.' The moment a reader glances at an ill-matched letter he instinctively assumes an attitude of antagonism that discovery of deception always arouses. Your proposition must be mighty alluring to offset such a handicap and bring a response to your solicitation.

"To carry out the illusion of a personally dictated letter, intended only for the individual to whom it is sent, the body of the letter should have all the earmarks of a busy stenographer's work. The right-hand margin should be unevenly indented. Look at the average dictated letter and see how the lines vary. The printer in setting up a letter usually makes the right-hand margin as even as the left side by spacing. This is another letter mannerism that should be avoided. The reader unconsciously feels the same toward a perfectly margined and balanced letter as toward an overdressed and painfully immaculate salesman. It is impossible to get 'close' to them. The personality of each is concealed under a too formal and frobidding dress."

The Signature.—Where thousands of letters are sent out it becomes difficult or impossible to have them signed by the head of the department issuing them. Rubber-stamped or typewritten signatures are unsatisfactory alone. A signature, obviously not the handwriting of a business official, makes an unfavorable impression. Some duplicating machines have a device for adding a facsimile of the official's signature, and this is at least neat and consistent, but not likely to carry conviction on a letter that is meant to be a personal appeal. In many houses such letters are signed by a clerk whose writing is made a fair imitation of that of the official whose name is used.

Good Materials.—Like every other letter, the form letter and its follow-ups should be well dressed to make a good impression. This does not mean that the stationery used must always of necessity be expensive. It should be well chosen for the purpose. If the matter in

hand, the class of people to be reached, and the margin of profit to be secured, warrant it, stationery of the highest grade may be used consistently. But there are many business propositions that are profitable only when every item of expense is carefully considered. If it is not certain what grade of stationery is in reality most profitable for the matter in hand, it is sometimes worth while to try out two or more lists, selecting the names at random, with paper of the different qualities suggested.

The result should aid in determining what is most suitable for the purpose. Where the question is undecided, it is doubtless better to err on the side of fine appearance.

The Matter of Postage.—Just as paper of good quality is usually necessary to gain attention for your letter, so a two-cent stamp is to some extent an assurance that your letter will be read—no small matter when one considers the thousands of form and circular letters that pass to the grave of the waste-basket each morning unhonored and unread. Few business men have time for one-cent circulars when their desks are piled with more important mail. The patent envelopes which are ostensibly sealed, but still bear the one-cent stamp, are useful in some special instances, but no longer delude the reader into the belief that he is receiving a personal communication. It is often better to send a good piece of printed advertising—a catalogue or a booklet—than a poor imitation letter unsealed and under third-class postage.

Here, again, is a matter for judgment. A farmer may read a letter that would be tossed away by the business man. If you are selling to a class of people not overburdened with mail, and the article you offer is low in price, with but a small margin for profit, it may be possible to reach your trade with a one-cent circular on inexpensive paper. In such a case, a try-out of a small list would be advisable before mailing a larger one. Where there is doubt of the possibility of gaining attention, keep to the two-cent letter, and reserve third-class postage for printed advertising.

A Written Salesman.—After all, the mechanical make-up of a letter is not its prime requisite. The form letter is a written salesman; the follow-up letters a series of them. They must display the art and science of salesmanship—the ability to interest, to convince, and to impel action.

No other kind of letter writing is as important as this. Where the ordinary business letter may make a single friend, collect a single debt, bring a single business transaction one step nearer to conclusion, the form letter does these things a thousand or a hundred thousand times. The wording of a sentence may make the difference of multiplied profits or losses to the firm that sends the letter out. Yet it is more impossible here than anywhere else to prescribe a definite formula that will surely bring success. The effective form letter is vital; the personality of the writer is of more value in its composition than any observance of rules.

"If your composition is simple, earnest, enthusiastic—has an actual throbbing of life to it," says George L. Louis, in "Advertising and Selling," "your readers will see you and feel your presence as well as hear you speak. The converse of this is equally true; flippancy, smartness, involved utterances, fancy flourishes, anything but direct statements of facts, are as deadly to personality as a printed circular."

Securing Attention and Interest.—Before it can accomplish any of the purposes for which it was sent, your letter must be read. And herein the form letter is at a disadvantage, because of its very adaptability to the needs of modern business—there are so many communications of the kind in each day's mail that thousands of them are thrown away without attention. The successful form letter attracts attention and arouses interest at the start. Its appearance betrays none of the earmarks of a circular, and its opening sentence appeals to the self-interest of the reader. If a salesman makes a poor beginning of his sales talk, he may yet save the day by continuing his argument and finally catching his prospect's interest.

But a form letter must interest from the first line, or it will be immediately consigned to the waste-paper basket. "Well begun is half done," applies here with peculiar force.

The form letter may refer at once to any inquiry or previous letter that prompted it, but great care is taken to make this reference in an original way, not with the stereotyped phrases that have begun letters from time immemorial. It is the needs of the reader's business that dominate the letter from the start. Not "I have something to sell," but "You need to buy" is the burden of the page. It is not necessary to eliminate studiously every reference to "I," "we," "ours" from the sales letter. Even the old rule that a sentence or a paragraph must not begin with a pronoun of the first person need not of necessity be followed; but the spirit of the letter throughout is that of service to "*you*," "*your business*," "*your customers*," "*your profits*." This is the vital approach from the opening sentence of the first paragraph, and it is this appeal to self-interest that insures that the remainder of the letter will have thoughtful consideration. When you have aroused the interest of the reader, you can proceed to a description of the wares you have to offer.

The Reader's Point of View.—The successful letter is written from the point of view of the person to whom it will be sent. If you know the man to whom you are writing, every sentence you compose is intended to affect him as an individual. If you are writing a form letter for people of a particular occupation or a particular class, that helps you to make the appeal effective. But if you are writing a letter intended for both men and women, and for people of different degrees of education and social standing, the wording must be done with great skill—for it must be logical and dignified, and at the same time simple enough for the understanding of the unlettered. If your letter is written for the purpose of making a sale, your descriptions must be so accurate and vivid that the reader can picture to himself with confidence an article that he has not seen. You hope to make him buy on the

strength of the printed word alone. It will not do to assume too much knowledge of your house and its wares on the part of the purchaser to be. Make use of whatever in language or enclosures will inspire confidence in your house and its wares.

It is difficult to present a description that is complete, interesting throughout, clear, and accurate, without going into such detail as to weary the reader before he finishes the letter. Like all other business communications, the form letter should be concise. Good judgment will adapt the length to the value and interest of the proposition itself, taking into consideration the amount of reasoning and care that would naturally be used in deciding the question involved. Men with money to invest will read carefully the details of an important financial proposition, involving, it may be, large sums of money, and offering an opportunity for considerable profits. A letter on such a matter may be as long as the subject demands. On the other hand, a fountain pen or a new kind of carbon paper can be described clearly in a one-page letter with wide margins.

Often the writer proceeds from the beginning as if continuing the thought of the reader, and "you" and "your" appear over and over again. Theoretically this is the right course to take; though some care must be taken in writing to dignified, conservative men, not to make such a letter appear impertinent.

Compelling a Sale.—If one letter must do the whole work of making a sale—gain attention, hold interest, create desire for the wares, overcome objections, and convince of the profitableness of buying, it must pass from description to the evidence that brings conviction, and the stimulus that leads to action. "The appeal for action—the climax of a letter"—says one successful letter-writer, "here is where all of the writer's ingenuity and vocabulary must be drawn upon. The productiveness of a letter depends upon its final appeal. I have found the best avenues of approach for the final plea—the most vulnerable, susceptible impulse action—are the appeals to self-

interest and to the sense of duty and fairness. When the letter takes in all of these appeals, it is fairly certain to bring a large percentage of favorable responses."

Interest and conviction must be converted into action. The reader must not merely feel that he wants to order; he must *order*. For this, nothing is more essential than a forceful climax—a climax that makes the reader feel that it is vitally to his interest to order *to-day*—not a week hence. The most common method of devising such a climax is to offer some special inducement, such as a discount or a premium, for an immediate order. The scheme has been so persistently worked, however, that it has lost some of its force. An excellent climax can be made without it, as illustrated by one of the form letters used in the sale of cash registers:

"If a dependable bank should offer to give you 10 per cent on your money instead of the 4 per cent you get now—wouldn't you put your money in the new bank as soon as you could?

"You wouldn't wait until it was convenient—you wouldn't put it off until you just happened to be in the bank's neighborhood. You would go at once. Because every day's delay would mean the loss of a day's interest at 6 per cent. And no retailer can afford to throw money away.

"Now you can't afford to delay getting a National—because every day you are without it means so much loss in the money this National will make or save you—and add to your bank account. Order to-day!"

Follow-ups.—Sometimes a sales campaign is based on one excellent form letter. More often the first letter is followed by others or by advertising matter. Where a follow-up series is used, the first letter is intended to arouse interest and desire; though each letter of the series contains in some form or other a final appeal for action.

There are selling campaigns that are continuous—that is, each customer is tried at intervals by different letters, each complete in itself, until the possibilities of a list of prospects are entirely exhausted. A campaign like this,

which may begin or end at any point in the series of letters, has this advantage—that it may be stopped at any time. The final letter is made especially forceful and convincing, and may offer some hitherto unused inducements for buying.

It is more common, however, to use a follow-up system of four or five letters—fewer if the profit on the article described will not permit of much expense in the selling—more if it is a proposition that naturally calls for careful weighing pro and con before a decision can be reached. Where there is a definite series of letters to be used, the first letter can not contain all the arguments. The object of the first letter is to interest and create a desire for the article. Each of the letters that follow adds something definite to the campaign—some new way of proving the utility of the article in question—samples of goods, booklets describing them, testimony from people who have used them (not too many pieces of testimony in one letter), a facsimile of an important order or of a large check paying for such goods. There may be objections to overcome. The question of expense?—one letter may show that the profit derived greatly surpasses any expense involved; the difficulty of distance?—a follow-up may show that the company delivers its goods satisfactorily whatever the distance involved; the doubt of durability?—here is a good opportunity to quote statistics and tests, enclose samples and give the testimony of satisfied users; or, best of all, to give the seller's guarantee. The man who wishes a large mail-order trade must be prepared to guarantee his goods—the fact that unsatisfactory articles can be returned will win customers among careful buyers.

Whatever the manner of presenting the arguments, the sales letter should close with a stimulus for action. Sometimes the direct command—"Do not delay another day," "Sign your name on the dotted line," "Fold a five-dollar bill in the order blank and return in the enclosed stamped envelope"—is enough to give the interested reader the impulse for immediate action. Every appeal is made more effective by making all the steps to action easy. Wherever the percentage of answers is likely to be

high, or where there is a large profit on each sale, a stamped addressed envelope should be enclosed. The reader may be invited to write his reply on the bottom of the letter just received. If a return card is enclosed, the customer's name and address, as well as the dealer's, may be typed in advance, so that all the customer need do is to drop it in the mail. If payment can be made with a small coin, a coin card and envelope should be enclosed. Whatever means are used to induce an immediate reply, the clear explicit direction in the form of a command is often the means of bringing about a final compliance. Other methods are—to set a time limit for the offer, to give a special discount if the order is sent in within a specified time, to offer a premium to all whose orders are in before a certain date. All these devices have lost a little of their original force through repeated use. It remains for the writer to present them more seductively than ever, or to find something new. If he has succeeded in arousing the interest and producing the conviction necessary for an order, it should not be impossible to accomplish the rest.

The People the Letter Reaches.—The article you are selling may have many points of appeal, as, cost and value; utility and durability; beauty and quality; style and exclusiveness; novelty and up-to-date appearance. In a long follow-up series you may touch at different times upon all of these. In a short one, it may be well to vary certain letters of the series if you are trying to reach various classes—women, business men, farmers, professional men, mechanics, clerks—susceptible to different modes of appeal. Two letters about the same thing, sent to the same class of people, have produced very different results. The business man responds to the appeal of efficiency. If the price is low, he needs to be satisfied of the service the goods will give. If the price is apparently high, it is necessary to show that the quality is correspondingly high. Nearly everyone is moved in some degree by the cost, and if that is the standard market price for such articles, some reason why your goods are better

than others must be given. Farmers are a large buying class for many articles, and to them cost, utility and durability are very important factors. Ladies appreciate these qualities, but are often particularly influenced by beauty, style, and exclusiveness. They like to know that they can return the goods if they are unsatisfactory. A professional man may discard the breezy, snappy letter that brings results from some classes of people, and read the dignified communication that emphasizes quality. In writing to ladies, professional men, or people of social standing, it may be well to give some special care to the selection of stationery, or even to vary it from the plain business forms.

Talking Points.—Just what each letter in a follow-up series should add to its predecessor is a question whose answer depends so largely upon the nature of the goods sold, and the character of the buying class, that it is impossible to lay down a formula. As a general rule, it is safe to assume interest after the first letter, and each follow-up may be more personal in character and more persuasive in tone than the one which preceded it.

The first letter to a prospect, whether or not it is sent in response to an inquiry, should be thoroughly informative—full of facts and “meat.” Good descriptive literature should go with it. The first communication should be complete enough to lead the prospect to picture the wares—and desire them. If this letter brings no results within ten days, the first follow-up letter may be sent, allowing, of course, more time if the letter goes to a distant part of the country. The second letter may refer to the first, but should contain some new “talking point”—evidence of value, answers to objections, reference to an order, results of some test—ending, as always, with an appeal for immediate action. If another letter is necessary, it needs to be even more compelling, and to carry throughout the personality of the writer. There are particular instances, where the results to be obtained are very valuable and the point to be made a strong one, when a special-delivery letter or a telegram may be worth while.

This method could be followed only with very desirable and probable customers, not with a large mailing list. The final letter of a series is always a strong one. Never permit the careless custom of beginning a series with a well-written letter, and following it with weak and ineffectual forms.

Following Up the "Not Interested" Ones.—It is wise to endeavor to get some reply from each prospect, since this makes it possible to judge more accurately what kind of letters to use for the rest of the series, or to clinch an important sale by a letter that exactly fits a particular case. It aids, too, in sifting and rearranging the mailing list, and in the eliminating of useless names. However, an unfavorable reply does not necessarily mean that the name is to be removed from the active mailing list. It may be worth while to approach some of them in another way.

"The negative responses, the 'Not interested' and 'Don't want your line' answers to your letters, what do you do with them?" writes one successful writer of "letters that sell." "Throw them in the waste-basket? Paradoxical as it may seem, these are the best prospects. These are the ones I follow up most zealously.

"These are the merchants that do not generally respond to the follow-up letters favorably, and for that reason are the more desirable, because they materialize into the very best accounts when they are once landed."

In the same way, men who refuse to be interviewed by salesmen may be excellent prospects for the sale of goods of high cost and quality by mail—the men of important affairs who have many demands upon their time.

Enclosures.—Most important of all enclosures are the order blank and the catalogue. It is evident that the best of selling letters may fail if ordering is not made easy. Hence the coupon at the bottom of the letter sheet or the advertisement, the coin card enclosed, the return postal, the separate order blank, the easy direction to "write your order on the bottom of this letter and return in the

stamped addressed envelope enclosed." The method of ordering should be such that the ordinary person, whether accustomed to letter writing or not, a business man or a person of leisure, may find it the most natural thing in the world to act on the impulse supplied at the end of the letter. Any difficulty permitted to creep in is likely to cause postponement and final failure to act.

Wherever the campaign is directed to the sale of a variety of articles, the catalogue is most important. With the great mail-order department stores, the catalogue is the real salesman. It is too convenient an adjunct to every country household for anyone to throw it away. Indeed, the chances are that people who do not live near markets would pay for the catalogues rather than do without them.

Apart from the catalogue, the printed circular, folder, or booklet adds to your arguments the appeal of illustration, display—often of color. If the first letter of your series has given a description of the article, and the second follows some other line of appeal, an attractive descriptive booklet will refresh the reader's memory on the points of the first letter. Vary the literature as you go along. If advertising matter is sent under separate cover, it should reach the prospect not long after he receives the letter—never before. It is possible at any time to reinforce an argument by an illustrated folder or circular or a bit of interesting printed matter, even by a printed slip that emphasizes some one point likely to be of interest to the reader.

For the letter that presents evidence of the value of the article, there are various useful enclosures. Samples are often most enlightening and convincing of all. Testimonials from pleased customers have been greatly overworked, sometimes fraudulently, and care must be taken to use them only in a way that will inspire confidence. A single authoritative testimonial may be of more value than many ordinary ones.

Advertising novelties, such as blotters, calendars, etc., are sometimes enclosed. Whether to use them or not depends partly upon the amount of expense that can be

allowed properly for the campaign, and upon their probable utility in any particular case. It is useless to enclose a novelty that is certain to be thrown away at once.

A post-card for mailing an inquiry, or an addressed envelope for return, is a desirable enclosure. Aside from these, all enclosures or matter sent under separate cover should be of a nature to reinforce what is said in the letters, and supply added interest, information, and incentive for action. It is often worth while to include them in other than selling letters—even a collection letter may be made stronger by the enclosure of literature that is also a bid for more business.

Right Ways and Wrong.—An interesting start, a clear description with convincing arguments and evidence, a close that impels to action—these are the essentials of the “letter that sells.” Even more than other letters, the form letter must have character, express personality, be vital. Geniality and humor may have their place in correspondence, and a good joke, especially in a follow-up letter, may help to get an order. But flippancy, puns and irrelevant jests are more likely than not to prejudice the buyer. A man may laugh with you without feeling confidence in your business judgment and integrity.

Perhaps the aggressive attitude is the least desirable whether in conversation or in letter writing. No man likes to be told that he does not know his own business, even though you may be thoroughly convinced that he does not. Here is an example of the aggressive follow-up letter, which shows, in exaggerated form, a tendency which should be corrected by every letter-writer prone to it:

“I find it hard to understand your attitude. If I were offering you gold dollars for sixty-nine cents, I should expect you to side-step, get a firmer grip on your wallet, and regard me with a suspicious look in your eye. If I were even advising you to try some theoretical scheme, based entirely on my own imagination, your present indifference would be perfectly comprehensible.

“But, as the matter stands, I confess I am puzzled. I

have asserted that my special business-getting methods will positively increase your sales. If I could make that statement stronger I would do so.

"It is no question of what I think or what I say. I have absolute definite knowledge of results secured for others—results so big that my clients have frequently doubled their appropriations. Yet all the enthusiasm still remains on my side."

This letter is copied only as an example of "How *not* to write a sales letter. No man is willing to be brow-beaten or bluffed, and irritation at not having made a sale gets one nowhere. Good nature is an essential to business success.

The Mailing List.—Granted that the form letter is right in tact and mechanical features, the next question which arises is how to use it—the best system to be employed.

The working efficiency of any mailing list depends upon the degree of completeness with which it is kept up to date. There is not one thing in business which is so much out of place, which is such a complete loss, as a dead name on the mailing list. It is a grain of sand in a well-oiled bearing. It is worse than a baitless hook, for a baitless hook, while it catches no fish, is at least of no expense to the fisherman; but a dead name on the mailing list eats up postage with never a prospect of a nibble.

A mailing list that is composed of people likely to be interested is of great value. So far as your mailing list is made up of names of those who have seen your advertisement and sent in an inquiry, you have something to work on—and your list may pay for a long and extended campaign. But it is worth remembering that names of well-known people are easy for everyone to secure, consequently their mail is loaded with advertising and form-letter matter of all kinds, much of which must of necessity be thrown away unread. It is well to consider whether the manner of obtaining the names of your prospects is such as to warrant a real belief in their interest in the matter you have on hand.

"The basic essential of an effective follow-up system is the mailing list," says the writer in "Advertising and Selling," already quoted. "The greatest care and every precaution should be exercised to make a list of actual prospects, to safeguard against dead names. Of the various methods employed in making up these lists, I favor using the commercial rating books. Here we can find name, town, state, population, business and financial rating in whatever territory is wanted. I always select two of the highest rated merchants in each town, irrespective of population. This latter condition, 'irrespective of population,' is, by the way, of such importance that an entire article might well be devoted to a discussion of it.

"It is wise to make the lists of prospects as large as possible. This reduces the expense in proportion to the results that will be produced."

Beginning the Campaign.—"Now, remember, I'm a salesman, and as such I must introduce myself and the house I am representing—figuratively shake hands with the prospective buyer and break the ice preliminary to my selling talk. Hence, the first piece of literature I send out is a mailing card, somewhat larger than a post-card, but not so large that it will be broken or torn when handled with the regular mail. This card, which should be made as attractive as possible in coloring and lay-out, is simply a 'How d'ye do! I'm from Brown, Blank & Biff's. We've got a proposition that will mean more business and more profit. Be sure to read our letters carefully, and please don't forget our name.'

"Any of the clever card-devices with detachable return post-cards can be used effectively to cut out from the start the dead names on your list that do not handle your line of merchandise or who are not in business any more. Ask them to sign and mail return card upon which is a pointed inquiry such as: 'Do you sell more than two lines of clothing?' or 'How many clerks do you employ in your shoe department?' or 'Do you control all of the best corset patronage in your locality?'

"This will bring immediate replies from all of the merchants who do not sell clothing, shoes and corsets. Very few of the ones who do sell the lines in question will answer; but you will have simmered your list down to the people to whom you want to talk, before the first letter is sent out."

A Good Point.—"I begin to address my list about three months before the active opening of the retailing season, and continue to follow up at periods of about every ten days or three weeks throughout the season. The interval between the letters is wholly a matter of how quickly or slowly the responses come. I would like to send out my letters every week, were it not for the fact that this would endanger the effect of the letters in those instances where the prospect receives a second communication when he has already answered the first. This makes him draw back in his shell, and he will ignore all future correspondence.

"Before entering upon the discussion of the composition of the letter, an analysis of its form is necessary. The letter, of course, is imitation typewritten. To accomplish its purpose, it must be such an excellent imitation that it can not be distinguished from a personally dictated letter.

"There is no quicker way to help fill up the yawning waste-basket than to send out missives that fairly yell out to the reader that they are only impersonating; only imitations. The sole object of an imitation typewritten letter is to place the writer and the reader in as close personal contact as possible. If a dummy salesman were to be constructed with a wax face and a wooden body, with an internal mechanism that would propel it into a merchant's store and a long-distance ventriloquistic system that would make it talk, what kind of a reception do you think it would receive? How productive would it be? A letter that purports to interest a business man because of its personality, but that bears every earmark of being an imitation, is a parallel to our dummy salesman."

Try-outs.—Every form letter represents a considerable outlay in materials, labor and postage. In determining what letter to use for the opening of the campaign, it is well to have several prepared, each as perfect as the skill of the author—and it is advisable to try letters by more than one writer—can make them. If the campaign is not a seasonal one—that is, if it is not of a kind that must be carried on in a certain part of the year and no other, the letters may be tried, each with a list selected at random, but, of course, chosen to represent as far as possible the same variety in classes of people, occupations and localities. Then, if the article is not one that sells itself, the results give most practical information as to the precise points to be emphasized in the campaign. Sometimes there is a decided advantage in favor of one particular form. If there is doubt of the necessity for expensive stationery, it may be well to try two lists, one with the best and the other with the grade the writer prefers to use—if there is no decided advantage in favor of the more expensive kind, it is allowable to make the saving suggested. For some things printed matter is as effective as a personal letter. This, too, can be ascertained by experiment, if time and the nature of the case allow. Keep a record of expense and results from each letter—comparison will help you to write the sales letter that produces results.

Some method of keying, such as inserting a different department letter or number as part of your address, or using a different color of enclosure envelope for each letter is an aid to determining the exact results from each letter.

Expense Must be Considered.—Mail order business may be very expensive. It is not enough that try-out letters be compared as to the number of inquiries or even the number of orders each letter produces. The cost of securing each order through an expensive letter may be so great that the letter that produces the maximum number is not the most profitable. Yet, even if the profit on each sale is small, excellent results may be achieved if

the number of sales is exceptionally large. In order to secure fair premises for judgment of the relative value of different letters or the various kinds of make-up and stationery, it is necessary to keep an accurate record of all the expenses involved in preparing them and of the orders received from each one. The total net profit of each try-out, with lists of the same size and similar localities and occupations, gives a fair basis for comparison. In some cases, it may be proved that the very highest grade of stationery and preparation, with first-class postage, pays amply in net profits. Or it may be demonstrated that in the particular case in hand, a medium grade of stationery produces equally good or better net results. But good judgment, not parsimony, in the matter of expense is a requisite.

Number of Letters to Use.—The number of letters to use in a sales series is determined by the difficulties of the case and the expense permissible. From three to five letters is enough for the average follow-up system. There are sales propositions that do not allow even this number. Some articles almost sell themselves. On the other hand, if the article for sale is new on the market, it may be necessary to herald it with a long educational campaign. If an article faces great competition, selling naturally demands considerable expense. If the names on the mailing list are obtained in a way to warrant the belief that they are nearly all potential customers, and the profit of a sale permits, a long series may be used in the belief that in enough cases there will sooner or later be a response.

Follow-up Systems.—Once the number and nature of the letters comprising a series is determined, an accurate office system for controlling them must be devised. The prompt and certain despatch of each letter at the proper time is of equal importance with its careful preparation. A suitable office outfit is needed.

The card-index is the primary essential of any follow-up equipment. A card should be made out for each

prospect as soon as his inquiry is received; if it is desired also to circularize customers, or those who have once bought, cards may be provided for them. In addition, it is well to use cards of different colors for prospects and customers. As this necessitates transcribing the card when a prospect becomes a customer, some concerns employ for the prospect a card with a small projecting tab on the upper right-hand corner. When the prospect becomes a customer, the tab is cut off. If neither of these methods is desired, separate filing cases may be kept for prospects and customers.

The data to be kept on the card vary somewhat in different lines of business. The essential features are a record, first of the name, address, etc., second of correspondence received from and sent to him, and third the orders received from him, the last being sometimes kept on the reverse of the card.

For the purposes of the follow-up it is necessary so to file these cards that each one will automatically come up for attention on the day when it is desired to send a letter or piece of literature to the name upon it.

One method of doing this is to employ the ordinary tickler file, filing each card behind the day when it is to come up for attention. This method has one very serious disadvantage. If on the first of the month a card is filed ahead to the fifteenth of the month, and meanwhile an order is received on the tenth, it is necessary to search through the entire tickler to locate the card and remove it; for, if this is not done, when the fifteenth arrives a follow-up letter will be sent to the customer, after he has already sent in his order, which is manifestly absurd.

The labor of locating a card filed chronologically is partly obviated by the use of cards with alphabetic tabs, the position of the tabs being varied for different letters of the alphabet. Since the tabs of a given letter lie in the same row, it is fairly easy to locate a particular name.

But here again it becomes evident that the alphabetical method of arrangement is the most direct. It is better to arrange the cards alphabetically by name and cross-

index them chronologically. The best cards for such a system have the numbers for each day of a month—1 to 31—printed in a row across the top. The cards are filed alphabetically, perhaps under geographical divisions also. Movable metal tags are attached to show the day of the month on which each card requires attention. All the tags for the same date fall in a straight line, and a clerk can remove on, say, the 15th, every card cross-indexed for attention on that date, without the slightest delay. At the same time, the card of any prospect or customer can be located at once by its alphabetical position. When the letter assigned for the specified date is prepared, the tag is removed. It may be replaced over the date when the next letter in the series should be sent. An entry showing what form has been mailed, and the date, is made on the card. A most satisfactory plan is to have tags of different colors, each representing a different follow-up of the series. As each letter is sent out, a tag of one color is removed and a tag of another, to indicate the next letter in the series, is attached over the proper date. Each card comes to the attention of the correspondent automatically on the specified date and its tag shows the clerk at a glance exactly what form is to be used.

Tags may also be used to indicate whether the correspondence is for the current or the following month.

Classified Lists.—A concern which handles a half dozen or so main lines frequently desires to segregate from its customers and prospects a list of those interested only in some particular one of its several lines. Thus a furniture house may at one time wish to circularize only those who have inquired about or bought office furniture; at another time, only those interested in restaurant furniture, etc.; while, at the same time, it desires to maintain, for reference and for general circularizing, a general customers and prospects' list. To effect this, projecting tabs are used. Each position of a tab corresponds to one class of goods; and, if desired, the name of that class may be printed on the tab. When

a "prospect" card is made out, a card is selected with a tab representing the class of goods in which the prospect is interested. If at any time it is desired to circularize only the buyers interested in one class of goods, these may readily be located by their tabs, while at the same time the general alphabetical list remains unbroken.

Sometimes it is desired to reach not the buyers of one class of goods, but all the buyers of one occupation or trade. Here, too, tabs may be used to advantage, though it will generally be found inconvenient to have the tab narrower than one-twelfth of the width of the card, thus making twelve the maximum number of classes which can conveniently be distinguished by this method.

The employment of these tabs need not interfere with the tickler indexing of the cards by movable tags, as above described; for the tags can be attached to the tabs over the proper number just as easily as to the edge of the card itself.

In some lines of business the data that can be kept on the card are too meager to enable the correspondent to direct the course of the follow-up, and the actual correspondence of the prospect must always be on hand for that purpose. Where this is the case, the correspondence of each line prospect is kept in a folder. All these folders are filed alphabetically in a separate file; but a card is made out for the prospect and indexed for tickler purposes, as before described. The plan, sometimes employed, of filing the correspondence itself in a tickler is, in the case of any but the smallest business, open to considerable objection.

Use of the Card.—If the campaign is being carried on entirely with form letters and printed literature, a clerk may send them out in order in accordance with the system employed, without special instructions from the correspondent. If individual letters are used, or there are any features of the case requiring special attention, the card is referred to a correspondent, who dictates the answer or decides what disposal is to be made of it.

In deciding the intervals at which the various pieces of a follow-up series should be sent out, the time taken by the mails to travel should be given careful consideration. A firm in New York that sets an interval of ten days for reply between the first and second letters of its series, if the prospect lives in New York, must allow nearly twenty days in dealing with someone who lives on the Pacific Coast. It is important to take this precaution in order that a follow-up may not cross a reply.

Some days of the week are more favorable than others for the reception of sales letters. To get the best attention, sales letters should reach the city man Tuesday or Wednesday; the country-town man, Tuesday to Friday; the farmer, Friday or Saturday.

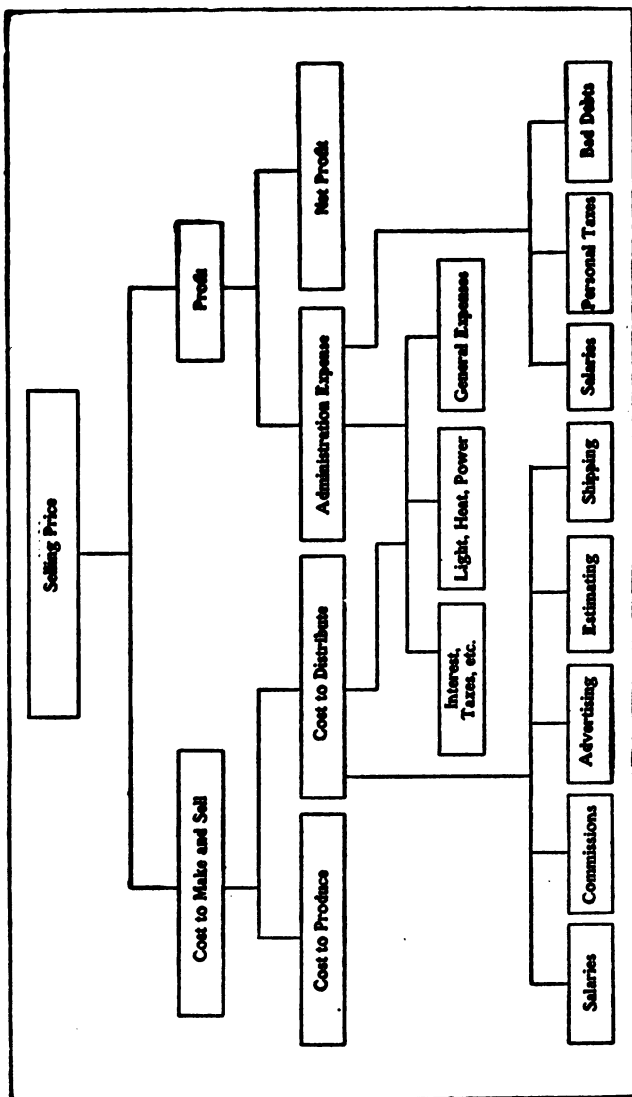
Necessity for the Return Card.—In sending out form letters, the address of the sender should invariably be printed on the envelope so that the postal authorities may return all whose addresses can not be found. This makes it possible to eliminate "dead" names from the mailing list.

All prospects who fail to respond to persistent form letter bombardment should be transferred from the active mailing list to a "dead" file. They may be circularized once in a while when the house has something exceptionally attractive to offer.

The methods described in this chapter are intended primarily for sales campaigns, but they may be adapted to follow-up purposes in other branches of business, such as the Collection Department.

IX SELLING COSTS

Extent of Charge—Why Selling Cost Must be Separated—
1. *Sales Department Space Cost*—2. *Light, Heat and Power*—
3. *Accruals on Accumulated Stock*—4. *Office Expense*—Stenog-
rapher's Weekly Summary Sheet—5. *Salesmen's Commissions, Salaries, and Expenses*—Travelers' Weekly Expense Statement—
6. *Advertising Outlay*—7. *Cost for Estimating*—8. *Shipping Department Expense*—9. *Proportion of Administration Expenses*—
Apportionment of Selling Cost—Administration Expenses—
Summary.



DISTRIBUTION OF SELLING PRICE

IX SELLING COSTS

SELLING expenditure comprehends every outlay incident to the disposal of a product, and includes such items as salesmen's commissions, salaries, and traveling expenses; advertising outlay, estimating and shipping expense. It may, or may not, also include other items which will here be considered.

Extent of Charge.—The first question in the problem of selling costs is as to whether the sales division shall be charged for goods at the cost to the manufacturing division or at a somewhat larger figure—allowing the manufacturing division to claim profit. The argument for allowing profit to the manufacturing division is that since greater efficiency will be registered in a larger amount of profit, the inducement to secure better economy will be great. There are, however, but two methods by which the manufacturing division will be allowed a profit. One of these is by allowing as profit an arbitrary percentage on cost. This obviously will not register economies, for the cost is itself the basis of profit. The other of these methods is to allow to the manufacturing division as profit any amount by which it can reduce cost below an arbitrary figure. Under this plan, if there has been a reduction in wages or in the price of raw material, the economy shown by the figure of profit is misrepresented; and, therefore, the plan fails in its specific aim. But, when labor or material has become more expensive, this plan seems to blame the manufacturing management. By this method, moreover, the labor of preserving cost has been largely thrown away, for it assumes as

cost for selling purposes a figure that bears no relation to the books. The only possible method of measuring comparative economy is by comparing actual costs in different years and allowing for difference in effective wages and raw material. This the comparative cost register and the ordinary cost books make possible. Since such comparison is possible directly from the books, the effort to find a measure of economy in the profits of the manufacturing division is mere wasted energy—and sometimes worse than that, for it may misrepresent the facts. Finally, to handicap the sales division by charging it arbitrary prices is hardly fair when the selling department is in competition with other houses where this is not the practise. The conclusion is that the selling division should be charged for all goods at exact cost to the manufacturing division.

This general rule, however, is open to one notable exception, in the case of "manufacturers" who do not really manufacture, but have the goods made up on the outside. Some so-called manufacturers do not want to maintain a department devoted to making their products. They accordingly have their material assembled and give some other concern the manufacturing profit. Other bona-fide manufacturers who do such work can ascertain exactly the cost of assembling, and can therefore give their producing departments a manufacturing profit, and charge the selling department with the market price paid by the other houses.

Why Selling Cost Must be Separated.—The science of costs is intimately related to the department of sales, but complete separation between producing and selling expenditures is essential. It is absolutely necessary to know first what it costs to produce goods ready for sale, and second, what it costs to market them; since a factory manager may manufacture goods at a cost of production in every way favorable to most successful competition, and yet the business as a whole may not be profitable, owing to the excessive selling expenditures. A separation of costs places responsibilities for two en-

tirely different functions, and any changes in either manufacturing or selling conditions are quickly noted.

The principal elements of selling cost may be stated as follows:

1. Sales Department Space Cost.—This will be determined by the ratio which the space occupied by the department bears to the entire space cost of the establishment; the percentage thus obtained will be calculated on such items as Rent, Taxes, Depreciation, Repairs, and Insurance on the property used by this division.

2. Light, Heat, and Power.—A meter installed in the department will show the amount of gas or electricity consumed for lighting purposes; heating cost is charged in proportion to cubic occupancy; power, which in this instance might be for the passenger elevator serving many departments, could be distributed on a basis of the number of passengers carried.

3. Accruals on Accumulated Stock.—Many large establishments are obliged in the dull seasons to accumulate stock ready for the demand of the active seasons. We have, therefore, rent, insurance, depreciation, and taxes to figure on this accumulated stock. This is not exactly manufacturing cost, for the manufacturing division can not always make goods at the variable rate of the demand of the seasons. It must produce them when it can. It is, however, the task of the selling division to keep goods moving as rapidly as possible, and to offer such inducements as may be worth while to get them out of the warehouse in the dull season. The most effective stimulus to the selling division for keeping the warehouse clear is to charge this division with the cost of accumulating the stored stock. Though this may sometimes seem a hardship, it is unavoidable; for charging to manufacturing would to some extent nullify the careful cost-keeping, especially in the important matter of comparative costs. Some overlapping of function is bound to occur between the manufacturing and the selling di-

vision, and that is just why the need exists for a general manager, whose expenses are divided between the two divisions. It is the manager's task to determine how far the manufacturing division should accommodate itself to the varying demands of the seasons, and how far the task of accommodation shall be laid upon the selling division. Whatever cost of this sort is incurred, however, seems properly to belong to the selling division.

4. Office Expense.—This comprehends the outlay necessary for the maintenance of an office concerning itself solely with the distribution of the product, and includes such items as salaries of selling officers and assistants, printing and stationery, postage, telephone and telegrams. Although the total expense is periodically carried into Selling Costs for distribution, yet to attain the highest state of efficiency a system of costs should be maintained within the office. The relative capability of each stenographer, for instance, may be deduced from a weekly summary, similar to that on the following page:

From this summary, when properly filled out, the manager can determine the total and average cost of letters written weekly, and by comparing the results with former figures he is enabled to set a standard. The fact that letters vary in length is not an obstacle, because in the long run the average length of letters will be about the same for all. The mailing clerks should count each stenographer's mail and initial her daily report, from which the above-mentioned weekly summary is prepared. Similarly the work of each employee of the office may be recorded; bill, mail, and filing clerks noting the daily total of papers officially treated by them; bookkeepers recording the number of daily postings, etc. These daily figures are summarized in the weekly reports to the manager. Where this plan has been tried the results have been very satisfactory, and it has resulted in a sort of friendly competition and endeavor to exceed "the record." The matter of office expense has been treated here only with reference to the selling department and the cost system hinted at is only suggestive. In a busi-

should be provided for this purpose; the following is an illustration:

TRAVELERS' WEEKLY EXPENSE STATEMENT

Week ending.....19....

Name		Paid				Voucher No.	
<i>Day</i>	<i>Mile- age</i>	<i>Towns Visited</i>	<i>Hotel</i>	<i>Meals</i>	<i>R. R.</i>	<i>Enter- tainment</i>	<i>Miscel.</i>
Sunday.....							
Monday.....							
Tuesday.....							
Wednesday....							
Thursday.....							
Friday.....							
Saturday.....							
Total.....							

It is usual to open an account with each salesman, and to maintain a careful record of the sales in his territory. The records should show also the ratio of sales expense to each dollar of product distributed, and the relative worth of each salesman and the territory traversed by him.

6. Advertising Outlay.—The disposition of this factor requires a knowledge of the circumstances under which the expenditure was incurred. It is at one time an investment and at another an expense. For example, several thousand catalogues may be printed for a concern; these should be carried as an inventory item to be charged in proportionate amounts, as distributed, to expense. Again, in order to place itself prominently before the public, a concern may spend during its first year a large sum for advertising, the benefits of which may not immediately accrue, but which item is nevertheless a factor in the future sales; it would be manifestly unfair therefore to charge the entire amount against the first

year's business. It is worth while to note, also, that some advertising costs may not be exhausted in the year of occurrence. An advertising campaign may have a duration of several months or years and at its close a large item of recourse may remain in a form similar to "good-will"; in the sale of the business this would have to be acknowledged. In charging off advertising expense, therefore, a medium ground is advisable. A certain percentage of general advertising is an expense and chargeable as such; the remainder goes toward the purchase of good-will, an asset of the business.

7. Cost for Estimating.—A selling cost likely to be overlooked is that of the estimating department. In some businesses considerable money is expended in working out specifications and submitting proposals which do not result in a sale; this is as much a selling cost as the traveling salesman's expense, and such items should be kept in an account by themselves and later charged in total to Selling Costs; when a sale is effected the expense connected with the preparation of the plans and specifications is charged against the individual job. The conditions above apply to cases where the proposals in question are for special work, and can not be used again. If, however, the estimate and drawings are to be utilized for future work, they should be considered a part of plant equipment and are properly chargeable to this account.

8. Shipping Department Expense.—Under this head would be charged such items as wages of the shipping clerk and assistants, all shipping materials, and any other expenditures incident to the preparation of the goods for delivery.

9. Proportion of Administration Expenses.—This represents a charge for supervision, and, as each administrative officer should keep a record showing the disposition of his time, the amount chargeable to each department is readily ascertained.

Apportionment of Selling Cost.—Some selling expenses may, however, apply more strictly to one item than to another. For example, if any article ceases to be advertised, yet continues to sell on its reputation, the advertising expense charged to its cost should be slight. If, again, a few articles are placed upon exhibition, the cost of the exhibition should be charged chiefly to the particular article shown; in the latter case, however, the entire cost should not be borne by the articles in question, as the publicity gained from the exhibition will probably cause a demand for other products of the firm. In the final distribution of selling expenses certain costs will therefore be assigned to particular classes of sales, and the remaining selling costs will be distributed over all classes on a percentage basis, which is obtained by dividing the total general selling cost by the total manufacturing cost. This percentage is then distributed among the several orders or classes of production on a basis of their manufacturing cost which has been previously determined.

A distribution sheet should be maintained to show the ratio of the percentage, the expense each department bears to the entire expense, and from this record the manager can determine whether the selling prices are profitable or not. For instance, if the distribution sheet shows that it costs about 12% of the selling price to dispose of the goods and at that rate a fair profit is possible, the business will be on a safe basis as long as that rate is maintained, but should a period of depression set in, or sales fall off in anything like a permanent manner, the selling cost percentage will immediately increase. It is in enabling the management to reduce expenses without affecting the efficiency of the various departments that the distribution sheet is valuable.

The percentage can be applied to any individual item after it has been manufactured; for example, the cost of raw material might be 60 cents, productive labor 95 cents, and manufacturing or indirect expense 95 cents, thus making the total cost of production \$2.50. Assume the selling cost of 12% of the sales price which shall be stated

at \$4.00. If the selling expense of 48 cents be added to the cost of production, i. e., \$2.50, the cost of the article sold reaches \$2.98, leaving a trading profit of \$1.02, from which must be deducted its proportion of administration expense in order to arrive at the net gain of the transaction.

Administration Expenses.—While the manufacturing and selling divisions are engaged in working out their problems it remains for another department to control both, finance the establishment, and keep in touch with business conditions generally. These are the functions of the administrative department. Many of the expenses which it incurs may be traced to some particular process or department, and these are accordingly distributed and duly calculated in the producing or selling costs; the remainder, which are general in character, must be considered when the net profit on sales is calculated. Among the latter are:

1. *Proportion of rent, taxes, depreciation, repairs, and insurance* on the property used. This cost, however, can be made selective.

2. *Light, heat, and power* consumed by this department.

3. *Taxes on personalty*, which represent the annual levy by the State on capital invested; they do not include taxes on real property, which are already included in Item No. 1.

4. *Officers' salaries*; the balance remaining after all time spent in supervision has been charged to the proper departments.

5. *General office expenses*, including: Office salaries, printing and stationery, postage, telephone and telegraph, and miscellaneous items.

6. *Bad debts*. This would seem to be a just charge against the Administrative Department, because all orders are filled by the Selling Division only after the former has passed upon them; it would seem unfair therefore to charge any loss for uncollected accounts to the Selling Division.

Summary.—We have finally, then, for every article manufactured a certain specified list of items which enter into its selling price. They may be summarized as shown in the chart at the head of this chapter. An analysis of these items gives that which the business man wishes to know, namely, the cost of manufacturing and selling, the selling price, and the profit.

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